

FEDERAL RESERVE SYSTEM

Synovus Bank
Columbus, Georgia

Order Approving the Acquisition of Assets and Assumption of Liabilities

Synovus Bank, the state member bank subsidiary of Synovus Financial Corp. (“Synovus Financial”), both of Columbus, Georgia, has requested the Board’s approval under section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”)¹ to acquire substantially all the assets of, and assume the deposit liabilities of, World’s Foremost Bank, a state nonmember credit-card bank subsidiary of Cabela’s Incorporated (“Cabela’s”), both of Sidney, Nebraska.

Under the proposal, Synovus Bank would assume all of the deposits of World’s Foremost Bank (totaling approximately \$1.2 billion), as well as approximately \$4.1 billion in nondeposit liabilities. Synovus Bank also would acquire substantially all of the assets of World’s Foremost Bank (equaling approximately \$5.7 billion), including credit-card loans and related assets.²

Notice of the proposal, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the

¹ 12 U.S.C. § 1828(c).

² In a transaction not subject to Board approval, Synovus Bank proposes to sell to Capital One Bank (USA), National Association (“Capital One Bank”), Glen Allen, Virginia, all of the assets acquired from World’s Foremost Bank. Capital One Bank also would assume approximately \$4.1 billion in nondeposit liabilities of World’s Foremost Bank.

Board's Rules of Procedure.³ The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in the Bank Merger Act.

Synovus Financial, with consolidated assets of approximately \$30.7 billion, is the 59th largest depository organization in the United States by assets.⁴

Synovus Financial is the 50th largest insured depository organization in the United States by deposits, controlling deposits through Synovus Bank of approximately \$25.1 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Synovus Bank has offices in Alabama, Florida, Georgia, South Carolina, and Tennessee.

World's Foremost Bank, with total assets of approximately \$5.7 billion, operates a single banking office in Sidney, Nebraska. The bank is a credit-card bank and, as such, engages only in a limited set of lending and deposit-taking activities.⁵

World's Foremost Bank is the 11th largest depository organization in Nebraska, controlling deposits of approximately \$1.2 billion, which represent 1.9 percent of the total amount of deposits of insured depository institutions in Nebraska.

On consummation of the proposal, Synovus Financial would control approximately \$26.3 billion in deposits through Synovus Bank. Synovus Financial

³ 12 U.S.C. 1828(c)(3); 12 CFR 262.3(b).

⁴ National deposit, ranking, and market-share data are as of March 31, 2017. State deposit ranking data are as of June 30, 2016. Total assets are as of June 30, 2017. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

⁵ As a credit-card bank, World's Foremost Bank engages only in credit-card operations, does not accept demand deposits, does not accept deposits of less than \$100,000, and otherwise conforms to the requirements of section 2(c)(2)(F) of the Bank Holding Company Act of 1956 ("BHC Act"). 12 U.S.C. § 1841(c)(2)(F). World's Foremost Bank is not a "bank" for purposes of the BHC Act, and Cabela's is not a bank holding company.

would become the 53rd largest insured depository organization in the United States by assets and would become the 49th largest insured depository organization in the United States by deposits.⁶

Interstate and Deposit Cap Analyses

Section 44 of the Federal Deposit Insurance Act (“FDI Act”) generally provides that, if certain conditions are met, the Board may approve an application by a bank to engage in an interstate transaction with a bank that has a different home state without regard to whether the transaction would otherwise be prohibited under state law.⁷ The Board may not approve an application under this section that would permit an out-of-state bank to engage in an interstate transaction with a bank in a host state if the bank to be acquired has not been in existence for the lesser of the state statutory minimum period of time or five years.⁸ In addition, the Board may not approve an interstate application under this section if the bank, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, the bank, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in any state in which the acquirer and target have overlapping branches.⁹ The Bank Merger Act includes a prohibition on approval of interstate transactions where the applicant controls, or, upon consummation of the proposed transaction, would control, more than 10 percent of the total amount of deposits of insured depository institutions in the United States.¹⁰

⁶ For purposes of these rankings, the Board assumes that Synovus Bank would retain all of the assets and liabilities that would be acquired through the proposal. This approach is discussed further below.

⁷ 12 U.S.C. § 1831u(a)(1).

⁸ 12 U.S.C. § 1831u(a)(5).

⁹ 12 U.S.C. § 1831u(b)(2).

¹⁰ 12 U.S.C. § 1828(c)(13).

For purposes of section 44 of the FDI Act and the Bank Merger Act, the home state of Synovus Bank is Georgia, and the home state of World's Foremost Bank is Nebraska.¹¹ Synovus Bank is well capitalized and well managed under applicable law and has a "Satisfactory" rating under the Community Reinvestment Act of 1977 ("CRA"). The proposed acquisition of deposits and assets of World's Foremost Bank would not be prohibited by the law of any state in which World's Foremost Bank is located.

On consummation of the proposed transaction, Synovus Bank would control less than 1 percent of the total amount of consolidated deposits of insured depository institutions in the United States. The Board has considered all other requirements under section 44 of the FDI Act and the Bank Merger Act. In light of all the facts of the record, the Board may approve the proposal under section 44 of the FDI Act and the interstate merger provisions of the Bank Merger Act.

Competitive Considerations

The Bank Merger Act prohibits the Board from approving an application if the proposal would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking.¹² The Bank Merger Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any relevant market, unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the communities to be served.¹³

¹¹ A state bank's home state is the state by which the bank is chartered. 12 U.S.C. §§ 1828(c)(13)(C)(ii) and 1831u(g)(4). Although World's Foremost Bank is not considered to be a bank for purposes of the BHC Act, it is a bank for purposes of section 44 of the FDI Act and the Bank Merger Act.

¹² 12 U.S.C. § 1828(c)(5)(A).

¹³ 12 U.S.C. § 1828(c)(5)(B).

Synovus Bank and World's Foremost Bank do not compete directly in any local retail banking market. The Department of Justice has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under the Bank Merger Act, the Board considers the financial and managerial resources and the future prospects of the existing and proposed institutions.¹⁴ In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations, as well as information regarding the financial condition of the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to complete effectively the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations in the proposal in light of their financial and managerial resources and the proposed business plan.

¹⁴ 12 U.S.C. § 1828(c)(5).

The Board considered this proposal with and without regard to the proposed sale of the assets and liabilities of World's Foremost Bank to Capital One Bank by Synovus Bank.¹⁵ Synovus Bank and World's Foremost Bank are well capitalized, and Synovus Bank would remain so on consummation of the proposal, including if it were to retain substantially all of World's Foremost Bank's assets and liabilities. Synovus Bank appears to have adequate financial resources to absorb the costs of acquiring and integrating substantially all of World's Foremost Bank's assets and deposits. The asset quality, earnings, and liquidity of Synovus Bank and World's Foremost Bank are consistent with approval. In addition, future prospects are considered consistent with approval.

The Board also has considered the managerial resources of the existing institutions and of Synovus Bank after consummation of the proposal. The Board has considered Synovus Bank's plans for implementing the proposal and has reviewed the examination records of Synovus Bank and World's Foremost Bank, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered Synovus Bank's record of compliance with applicable banking, consumer protection, and anti-money-laundering laws.

Synovus Bank is considered to be well managed, and its board of directors and senior management have substantial banking experience. Moreover, Synovus Bank has conducted comprehensive due diligence and is devoting sufficient financial and other resources to address the post-integration process for this proposal. Synovus Bank

¹⁵ Commenters alleged that the proposal has been structured to evade the requirements of the Bank Merger Act. Commenters also object to the involvement of Capital One Bank in the transaction, alleging that Capital One Bank has managerial weaknesses and deficiencies in its compliance and anti-money-laundering programs. Capital One Bank is a national bank; the Office of the Comptroller of the Currency ("OCC"), and not the Board, determines whether a combination resulting in a national bank requires prior approval under the Bank Merger Act. The Board has consulted with the OCC in connection with this proposal and understands that the OCC does not object to Capital One Bank's acquisition of the credit-card loans and related assets and assumption of nondeposit liabilities of World's Foremost Bank from Synovus Bank.

appears to have the managerial and operational resources to address all aspects of the post-integration process. Synovus Bank also would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, Synovus Bank's management has the experience and resources to ensure that the bank operates in a safe and sound manner after consummation of the proposal.

Based on all the facts of record, including Synovus Bank's supervisory record, managerial and operational resources, plans for operating the combined institution after consummation, and public comments on the proposal, the Board concludes that considerations relating to the financial and managerial resources and future prospects of the existing and proposed organizations, as well as the records of effectiveness of Synovus Bank and World's Foremost Bank in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under the Bank Merger Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.¹⁶ In its evaluation of the effect of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve, as well as other potential effects of the proposal on the convenience and needs of the communities to be served. In this evaluation, the Board places particular emphasis on the records of the relevant depository institutions 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

¹⁶ 12 U.S.C. § 1828(c)(5).

sound operation,¹⁷ and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.¹⁸

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the applicant institution's business model, its marketing and outreach plans, the organizations' plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Synovus Bank and World's Foremost Bank; the fair lending and compliance records of both banks; the supervisory views of the Federal Deposit Insurance Corporation ("FDIC") and the Consumer Financial Protection Bureau ("CFPB"); confidential supervisory information; information provided by Synovus Bank; and the public comments received on the proposal.

¹⁷ 12 U.S.C. § 2901(b).

¹⁸ 12 U.S.C. § 2903.

Public Comments Regarding the Proposal

The Board received comments from a commenter who objected to the proposal, alleging, based on data for 2015 reported under the Home Mortgage Disclosure Act of 1975 (“HMDA”),¹⁹ that Synovus Bank made a disproportionately low number of home purchase loans to African American and Hispanic borrowers, as compared to white borrowers, in the Atlanta–Sandy Springs–Roswell, Georgia, Metropolitan Statistical Area (“Atlanta MSA”); that Synovus Bank made a disproportionately low number of home purchase loans to African American borrowers in the Birmingham–Hoover, Alabama, MSA (“Birmingham MSA”); and that Synovus Mortgage made a disproportionately low number of home mortgage loans to African American and Hispanic borrowers in the Charlotte–Concord–Gastonia, North Carolina–South Carolina MSA (“Charlotte MSA”).²⁰ A second commenter objected to the proposal alleging that Synovus Bank’s CRA and fair lending records are worse than those of its peer institutions in several markets, including Atlanta and Columbus, both in Georgia; Columbia and Charleston, both in South Carolina; Nashville, Tennessee; and Charlotte, North Carolina. The commenter also alleged that Synovus Bank received “low satisfactory” ratings for its CRA lending test performance in South Carolina and the Chattanooga, Tennessee–Georgia, MSA (“Chattanooga MSA”), and a “needs to improve” rating for the bank’s performance in the state of Tennessee. The commenter also alleged that the bank makes too few home mortgage loans to African American and LMI borrowers and in minority census tracts. The commenter asserted that Synovus Bank should increase its level of

¹⁹ 12 U.S.C. § 2801 *et seq.*

²⁰ A commenter also objected to the proposal on the basis of alleged disparities in the number of conventional home purchase loans Capital One Bank denied for African American and Hispanic borrowers as compared to white borrowers. The commenter also noted that Capital One Bank proposes to close branches in Laurel, Gaithersburg, Frederick, and Merrifield, all in Maryland. Capital One Bank’s record of HMDA lending and branch closings are beyond the jurisdiction of the Board to consider when reviewing the application by Synovus Bank under the Bank Merger Act. Any review of Capital One Bank’s compliance and HMDA lending records and branch closing proposals would be within the purview of the OCC.

community development lending and investment and that Synovus Bank has not demonstrated that a significant public benefit would result from the proposal.

Business of the Involved Institutions and Response to Comments

Synovus Financial and Synovus Bank offer a range of financial products and services to individuals and businesses. Through its branch network in Alabama, Florida, Georgia, South Carolina, and Tennessee, Synovus Bank offers banking products and services to its customers, including consumer- and commercial-banking services, mortgage lending, treasury management, and investment services.

World's Foremost Bank is a credit-card bank that engages in only a limited set of lending and deposit-taking activities. The bank has one retail office and accepts only certain types of deposits.

In response to the commenters' allegations, Synovus Bank states that it has operated as a community-oriented financial institution since its founding and that it offers a variety of loan and deposit products and other services that meet the financial needs of its communities, including LMI individuals and small businesses. Synovus Bank represents that it has implemented policies and procedures to ensure compliance with all consumer-protection and fair lending laws and regulations and conducts regular reviews of its policies and procedures. Synovus Bank further represents that it is involved with community development organizations that focus on economic development and affordable housing opportunities for LMI individuals and communities.

Records of Performance under the CRA

In evaluating the convenience and needs factor and CRA performance, the Board considers substantial information in addition to information provided by public commenters and the response to comments by the applicant. In particular, the Board evaluates an institution's performance record in light of examinations by the appropriate

federal supervisors of the CRA performance records of the relevant institution, as well as information and views provided by the appropriate federal supervisors.²¹

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.²² An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply lending, investment, and service tests to evaluate the performance of a large insured depository institution in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's home mortgage, small business, small farm, and community development lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the lending test, examiners review and analyze an institution's data reported under HMDA, in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's assessment areas; (2) the geographic distribution of the company's lending, including the proportion and dispersion of the institution's lending in its assessment areas and the number and amounts of loans in low-, moderate-, middle-,

²¹ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

²² 12 U.S.C. § 2906.

and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;²³ (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.

The CRA permits a bank to apply to its primary federal regulator to be designated as a wholesale or a limited-purpose bank.²⁴ The CRA performance of a wholesale or limited-purpose bank is assessed by evaluating the bank's community development activities.²⁵ This evaluation involves an assessment of (1) the number and amounts of community development loans (including originations and purchases of loans, and other community development loan data provided by the bank, such as data on loans outstanding, commitments, and letters of credit), qualified investments, or community development services; (2) the use of innovative or complex qualified investments, community development loans, or community development services, and the extent to which the investments are not routinely provided by private investors; and

²³ Examiners also consider the number and amounts of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less; small business and small farm loans by loan amount at origination; and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

²⁴ 12 CFR 228.25. A limited-purpose bank is one that offers only a narrow product line (such as credit-card or motor-vehicle loans) to a regional or broader market and for which a designation as a limited-purpose bank is in effect. A wholesale bank is one that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers.

²⁵ 12 CFR 228.25(c).

(3) the bank's responsiveness to credit and community development needs.²⁶ Based on its business activities, World's Foremost Bank has been designated as a limited-purpose bank.

As noted above, two commenters allege that HMDA data reported for 2015 by Synovus Bank show that Synovus Bank made a disproportionately low number of conventional home purchase and refinance loans to minority borrowers in several of its assessment areas. The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions is not available from HMDA data.²⁷ Consequently, HMDA data disparities must be evaluated in the context of other information regarding the lending record of an institution. In this case, as noted above, the Board has considered all the facts of record, including the fair lending and compliance records of both banks; the supervisory views of the FDIC and the CFPB; confidential supervisory information; information provided by Synovus Bank; and the public comments received on the proposal.

CRA Performance of Synovus Bank

Synovus Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of October 7, 2013 ("Synovus Bank

²⁶ Id.

²⁷ Other data relevant to credit decisions could include credit history, debt-to-income ratios, and loan-to-value ratios. Accordingly, when conducting fair lending examinations, examiners analyze such additional information before reaching a determination regarding an institution's compliance with fair lending laws.

Evaluation”).²⁸ Synovus Bank received “High Satisfactory” ratings for the Lending Test and Service Test and a “Low Satisfactory” rating for the Investment Test.

FDIC examiners found that Synovus Bank’s overall lending levels reflected excellent responsiveness to assessment area credit needs. According to examiners, the bank’s geographic distribution of loans reflected very good penetration throughout the bank’s assessment areas. Examiners also found that the bank’s distribution of borrowers reflected good penetration among retail customers of different income levels and business customers of different sizes. FDIC examiners noted that Synovus Bank exhibited a good record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, which include low-income individuals and very small businesses. Examiners also found that Synovus Bank used innovative and flexible lending programs to serve its assessment area credit needs. Examiners noted that Synovus Bank made an adequate level of community development loans.

In several areas of concern to the commenters, FDIC examiners found that Synovus Bank’s distribution of borrowers reflected either a good or an adequate penetration of small business loans and among individuals of different income levels,

²⁸ The Synovus Bank Evaluation was conducted using Large Bank CRA Examination Procedures. FDIC examiners reviewed home mortgage lending from 2011 through June 30, 2013. FDIC examiners reviewed small business and community development loans from 2011 through June 30, 2013. FDIC examiners reviewed community development loans, donations (investments), and community development services from January 1, 2011, through September 30, 2013. The Synovus Bank Evaluation covered Synovus Bank’s 45 assessment areas located in five states and two multistate MSAs: Alabama; Florida; Georgia; South Carolina; Tennessee; the Chattanooga MSA; and the Columbus, Georgia–Alabama, MSA (“Columbus MSA”). The Synovus Bank Evaluation included a full-scope review of 11 of these assessment areas, including both multistate MSAs and the Atlanta MSA; the Birmingham MSA; the Columbia, South Carolina, MSA (“Columbia MSA”); the Charleston–North Charleston, South Carolina, MSA (“Charleston MSA”); and the Nashville–Davidson–Murfreesboro–Franklin, Tennessee, MSA (“Nashville MSA”). A limited-scope review was conducted in the remaining 34 assessment areas. The Synovus Bank Evaluation was released on September 1, 2015.

including LMI individuals.²⁹ FDIC examiners noted that the bank's geographic distribution of small business and home mortgage loans reflected either good or adequate penetration throughout many of the bank's assessment areas.³⁰ Examiners further noted that Synovus Bank provided a good array of innovative or flexible lending programs in many areas of concern to the commenters.³¹ FDIC examiners also noted that the bank's record of community development lending was either excellent, good, or adequate in many of the bank's assessment areas.³²

In the Chattanooga MSA, another area of concern to a commenter, FDIC examiners found that the bank's small business lending in LMI census tracts was generally adequate. Examiners noted that Synovus Bank's distribution of home mortgage loans in the assessment area reflected limited originations in moderate- and low-income geographies. FDIC examiners further noted that small business lending among businesses of different sizes was generally adequate, and the bank originated a limited number of home mortgage loans to LMI borrowers.

FDIC examiners found that Synovus Bank had an adequate level of qualified community development investments and grants. Examiners noted that these investments and grants exhibited a good responsiveness to credit and community development needs. The bank made qualified investments in mortgage backed securities collateralized by mortgage loans made to LMI borrowers. The bank also invested in

²⁹ Examiners noted good penetration of small business loans and among individuals of different income levels in the Charleston, Columbia, Columbus, and Nashville MSAs, as well as in Tennessee. Examiners found adequate penetration in the Atlanta MSA.

³⁰ Examiners noted that the bank's distribution of small business and home mortgage loans reflected good penetration in the Birmingham, Charleston, and Columbus MSAs, as well as in Tennessee. Examiners found adequate penetration in the Columbia MSA and in South Carolina.

³¹ These areas include the Columbia, Columbus, and Charleston MSAs and South Carolina.

³² Examiners noted excellent community development lending in the Charleston MSA, good community development lending in the Atlanta MSA and in South Carolina, and adequate community development lending in the Columbus MSA and in Tennessee.

U.S. Housing and Urban Development bonds, Low-Income Housing Tax credit funds, Small Business Investment Corporation funds, and community reinvestment partner projects.

FDIC examiners found that Synovus Bank's delivery systems were accessible to essentially all portions of the bank's assessment areas. Examiners also noted that, to the extent changes have been made, Synovus Bank did not adversely affect the accessibility of its delivery systems in LMI geographies or to LMI individuals. FDIC examiners further noted that the bank provided a relatively high level of community development services. Examiners indicated that Synovus Bank's officers and employees served in positions at local and statewide organizations that address a wide range of community needs, including a focus on affordable housing, economic development, small business development, financial education, services for at-risk youth, and services to LMI individuals and areas.

In several areas of concern to the commenters, FDIC examiners found that the bank's delivery systems were either accessible to essentially all portions of the bank's assessment areas or were reasonably accessible to essentially all portions of the bank's assessment areas.³³ Examiners also noted that Synovus Bank provided either a high or an adequate level of community development services that benefited organizations within the bank's assessment areas.³⁴ In several areas of concern to the commenters, examiners noted that the bank's services were tailored to the needs of its assessment areas.³⁵

In the Nashville MSA, another area of concern to a commenter, FDIC examiners noted that the bank's delivery systems were accessible to limited portions of

³³ Examiners noted that the bank's delivery systems were accessible to essentially all portions of the bank's assessment areas in the Atlanta, Chattanooga, and Columbus MSAs, and were reasonably accessible in the Birmingham, Charleston, and Columbia MSAs, as well as in South Carolina.

³⁴ Examiners noted that the bank provided a high level of community development services in the Atlanta and Birmingham MSAs and an adequate level in the Chattanooga, Columbia, and Columbus MSAs, as well as in South Carolina.

³⁵ These areas include the Chattanooga and Columbus MSAs and South Carolina.

the assessment area. Examiners also found that the bank provided a limited level of community development services within the assessment area.

In Tennessee, another area of concern to a commenter, FDIC examiners noted that Synovus Bank provided an adequate level of community development services that benefited organizations throughout Tennessee. Examiners further noted that the officers, directors, and employees of the bank were involved in community development organizations that provided affordable housing, small business assistance, economic development, and community services for LMI individuals and income areas. Examiners noted that no branches or ATMs were located in LMI census tracts.

Synovus Bank's Efforts Since the 2013 CRA Evaluation

Synovus Bank represents that it has continued to help serve the credit needs of all of its assessment areas since the Synovus Bank Evaluation. Synovus Bank represents that it has originated community development loans that were responsive to community needs, including loans for LMI individuals and in LMI geographies. Synovus Bank also represents that it participates in a statewide lending consortium that provides affordable housing throughout Alabama.

In addition, Synovus Bank represents that it provides an adequate level of qualified CRA investments that are responsive to community development needs, including funding for low-income housing projects and investments in mortgage-backed securities that are collateralized by mortgage loans made to LMI borrowers.

Synovus Bank represents that its officers, directors, and employees engage in activities that support affordable housing for LMI individuals and economic development of LMI geographies. The bank further represents that it participates in programs with the Small Business Administration to help meet the credit needs of small businesses.

Synovus Bank also represents that it has a CRA mortgage loan program that provides LMI borrowers in the Atlanta and Birmingham MSAs with financing for purchases or refinancing for owner-occupied residences and another CRA mortgage loan program offered in the bank's five-state footprint that provides down-payment assistance to LMI borrowers.

CRA Performance of World's Foremost Bank

World's Foremost Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of August 18, 2014 ("World's Foremost Bank Evaluation").³⁶

FDIC examiners noted that World's Foremost Bank had an adequate level of community development services and qualified investments. Examiners found that the bank occasionally used innovative and complex qualified investments and community development services. Further, FDIC examiners noted that the bank's qualified investments helped to provide affordable housing and revitalize and stabilize underserved nonmetropolitan middle-income geographies and provided community services to LMI individuals. Examiners also found that World's Foremost Bank exhibited adequate responsiveness to credit and community economic development needs in its assessment area. Examiners noted that the bank provided community development activities that supported health services, education, public safety, public services, and affordable housing.³⁷

World's Foremost Bank's Efforts Since the 2014 CRA Evaluation

Synovus Bank represents that World's Foremost Bank has continued to help meet the community development needs of its assessment area since the

³⁶ The World's Foremost Bank Evaluation was conducted using limited purpose CRA examination procedures. The limited purpose evaluation reviewed the bank's community development lending; qualified investments or community development services; use of innovative or complex qualified investments; community development loans or community development services; and the bank's responsiveness to community development credit needs within its assessment area. The evaluation period was from February 19, 2013, to August 18, 2014. The World's Foremost Bank Evaluation included a review of the bank's assessment area in Cheyenne County, Nebraska.

³⁷ One commenter alleged that World's Foremost Bank previously received less-than-satisfactory CRA ratings due to violations of the Equal Credit Opportunity Act and the Unfair or Deceptive Acts or Practices provision of the Federal Trade Commission Act. As of 2014, FDIC examiners found World's Foremost Bank's CRA performance to be "Satisfactory." No consumer compliance functions of World's Foremost Bank would be acquired by Synovus Bank as part of the proposal.

World's Foremost Bank Evaluation. Synovus Bank represents that World's Foremost Bank has continued to provide CRA-qualified investments and community development services. Synovus Bank also represents that World's Foremost Bank's investments support economic development projects, help to provide affordable housing, and provide services for at-risk youth and wounded veterans. Synovus Bank represents that World's Foremost Bank's community development services support financial literacy and provide mentoring to young people.

Additional Supervisory Views

The Board has considered the results of a recent consumer compliance review conducted by examiners of the Federal Reserve Bank of Atlanta ("Reserve Bank"), which included a review of Synovus Bank's consumer compliance risk management program.³⁸ The FDIC and the CFPB also have conducted examinations of Synovus Bank's compliance with fair lending laws and regulations. As part of its consumer compliance examination in 2013, the FDIC conducted a review of the bank's fair lending policies, procedures, and practices, including a review of the bank's residential mortgage products, its underwriting and pricing practices, and its lending policies. The CFPB also conducted a fair lending review of the mortgage origination activities of Synovus Bank and its wholly owned subsidiary, Synovus Mortgage Corporation, including a review of the bank's compliance program, policies and procedures, and training.

The Board has taken the results of these examinations into account in evaluating this proposal, including in considering whether Synovus Bank has the experience and resources to ensure that the combined organization would effectively implement policies and programs that would allow the combined organization to serve the credit needs of all the communities within the firm's assessment areas.

³⁸ Synovus Bank was subject to the FDIC's jurisdiction until November 2016 when it became a state member bank. Prior to the Board's approval of Synovus Bank's membership application, Reserve Bank examiners conducted a review of Synovus Bank's policies, procedures, practices, and systems.

Additional Convenience and Needs Considerations

The Board also has considered other potential effects of the proposal on the convenience and needs of the communities to be served. Synovus Bank represents that it would continue to offer the same products and services and that, as a result of the proposal, the bank will not change or discontinue any products or services currently being offered. Synovus Bank further represents that the increase in deposits will allow the bank to provide greater retail banking and community development services to all of the communities it serves, including LMI neighborhoods through increased loan generation in its retail, commercial, and mortgage programs.³⁹

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA; the institutions' records of compliance with fair lending and other consumer protection laws; supervisory views of the FDIC and CFPB; confidential supervisory information; information provided by Synovus Bank; public comments on the proposal; and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board concludes that the convenience and needs factor is consistent with approval.

³⁹ One commenter urged the Board to approve the application on the condition that Synovus Bank adopt and successfully implement a community benefits plan. The Board has consistently found that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any organization. See, e.g., CIT Group, Inc., FRB Order No. 2015-20 at 24 n.54 (July 19, 2015); Citigroup Inc., 88 Federal Reserve Bulletin 485 (2002); Fifth Third Bancorp, 80 Federal Reserve Bulletin 838, 841 (1994). In its evaluation, the Board reviews the existing CRA performance record of an applicant and the programs that the applicant has in place to serve the credit needs of its CRA assessment areas.

Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) added “risk to the stability of the United States banking or financial system” as a factor that must be considered under the Bank Merger Act.⁴⁰

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.⁴¹ These categories are not exhaustive, and additional categories could inform the Board’s decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opacity and complexity of an institution’s internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.⁴²

The Board’s experience has shown that proposals involving an acquisition of less than \$10 billion in assets, or that result in a firm with less than \$100 billion in total assets, are generally not likely to pose systemic risks. Accordingly, the Board presumes

⁴⁰ Dodd-Frank Act § 604(f), Pub. L. No. 111-203, 124 Stat. 1376, 1602 (2010), amending 12 U.S.C. § 1828(c)(5).

⁴¹ Many of the metrics considered by the Board measure an institution’s activities relative to the U.S. financial system.

⁴² For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

that a proposal does not raise material financial stability concerns if the assets involved fall below either of these size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.⁴³

In this case, the Board has considered information relevant to risks to the stability of the U.S. banking or financial system. The proposal involves a target that is less than \$10 billion in assets and a pro forma organization of less than \$100 billion in assets. The pro forma organization would have minimal cross-border activities and would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the resulting bank in the event of financial distress. In addition, the resulting bank would not be a critical services provider or so interconnected with other firms or the markets that it would pose significant risk to the financial system in the event of financial distress.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved.⁴⁴ In reaching its conclusion, the

⁴³ See People's United Financial, Inc., FRB Order No. 2017-08 at 25–26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

⁴⁴ A commenter requested that the Board hold public hearings or meetings on the proposal. The Bank Merger Act does not require that the Board hold a public meeting or a public hearing on any application. Under its rules, the Board may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide

Board has considered all the facts of record in light of the factors that it is required to consider under the Bank Merger Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Synovus Bank with all of the conditions imposed in this order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the application. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the fifteenth calendar day after the effective date of this order or later than three months thereafter, unless such period is extended for good cause by the Board or the Reserve Bank, acting under delegated authority.

By order of the Board of Governors,⁴⁵ effective September 6, 2017.

Ann E. Misback (signed)

Ann E. Misback
Secretary of the Board

relevant testimony when written comments would not adequately represent 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 written comments that the Board has considered in acting on the proposal. The commenter's request did not identify disputed issues of fact material to the Board's decision that would be clarified by a public meeting. In addition, the request did not demonstrate why written comments do not present the commenter's views adequately or why a hearing or meeting 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 or meeting is not required or warranted in this case. Accordingly, the request for a public hearing or meeting on the proposal is denied.

⁴⁵ Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Powell and Brainard.