

FEDERAL RESERVE SYSTEM

Origin Bank
Choudrant, Louisiana

Order Approving the Establishment of a Branch

Origin Bank, Choudrant, Louisiana, a state member bank subsidiary of Origin Bancorp, Inc., Ruston, Louisiana, has requested the Board's approval under section 9 of the Federal Reserve Act ("FRA")¹ and the Board's Regulation H² to establish a branch on La Branch Street, Houston, Texas.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board's Rules of Procedure.⁴ The time for submitting comments has expired, and the Board has

¹ 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. Origin Bank currently operates branches in Texas and is permitted under section 9 of the FRA and Texas state law to establish additional branches in Texas. See 12 U.S.C. § 36(c)(2); Texas. Fin. Code Ann. § 203.006 (permitting an out-of-state bank that has established or acquired a branch in Texas to establish or acquire additional branches in Texas to the same extent that a Texas state-chartered bank could under state or federal law).

² 12 CFR part 208.

³ The branch will be located on two adjacent parcels of land with a current address of 5515 & 5521 La Branch Street. These two parcels are in the process of being replatted into a single property. The City of Houston has designated a preliminary address of 1511 Binz Street to the replatted property, but the exact street address of the branch has not yet been determined. Origin Bank will provide the final street address to the Board as soon as it has been determined.

⁴ 12 CFR 262.3(b).

considered the proposal and the comments received in light of the factors specified in the FRA.

Origin Bank, with total assets of \$4.4 billion, is the 61st largest depository organization in Texas, with 17 branches throughout Texas, controlling approximately \$1.1 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.⁵ Origin Bank operates through 45 branches throughout Louisiana, Mississippi, and Texas, and the bank's main office is in Choudrant, Louisiana.

Under section 208.6 of the Board's Regulation H,⁶ which implements section 9 of the FRA, 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");⁷ and (5) whether the bank's investment in bank premises in establishing the branch satisfies certain criteria.⁸ The Board has considered the application in light of these factors and the public comment received on the proposal.

Financial, Managerial, and Other Supervisory Considerations

In considering the financial history and condition, earnings prospects, and capital adequacy of Origin Bank, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, information

⁵ Asset data are as of June 30, 2018. State deposit data are as of March 31, 2018, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

⁶ 12 CFR 208.6(b).

⁷ 12 U.S.C. § 2901 et seq.

⁸ 12 CFR 208.21(a).

provided by Origin Bank, and the comment received on the proposal. Origin Bank is well capitalized and would remain so upon consummation of the proposal. The asset quality, earnings, and liquidity of Origin Bank are consistent with approval, and Origin Bank appears to have adequate resources to absorb the costs of the proposal. In addition, future earnings prospects are considered consistent with approval. The Board also has reviewed Origin Bank's proposed investment in the branch and concludes that the bank's investment is consistent with regulatory limitations on investment in bank premises.⁹

In considering Origin 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 Origin Bank and the bank's record of compliance with applicable banking laws, including consumer protection and anti-money-laundering laws. Origin Bank is considered to be well managed. Origin Bank's directors and senior executive officers have substantial knowledge of and experience in the banking and financial services sectors, and the bank's risk-management program appears to be consistent with approval.

Based on this review and all the facts of record, the Board concludes that Origin Bank's management, financial history and condition, capital adequacy, and future earnings prospects, as well as the effectiveness of Origin Bank in combatting money-laundering activities, are consistent with approval of the proposal.

Convenience and Needs Considerations

In considering the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institution is helping to meet the credit needs of these communities, as well as other potential effects of the proposal on the convenience and needs of the communities to be served.¹⁰ In this

⁹ 12 CFR 208.21(a).

¹⁰ 12 CFR 208.6(b)(3).

evaluation, the Board places particular emphasis on the record of the relevant depository institution 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,¹¹ 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 a bank branching proposal.¹²

In addition, the Board considers the bank's overall compliance record and the results of 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 institution's business model, its marketing and outreach plans, the organization's 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 Origin Bank, the fair lending and compliance records of the bank, confidential supervisory information, information provided by Origin Bank, and the public comment received on the proposal.

¹¹ 12 U.S.C. § 2901(b).

¹² 12 U.S.C. § 2903.

Public Comment on the Proposal

One commenter objects to the proposal, alleging that Origin Bank has engaged in redlining in Dallas and Houston, Texas.¹³ Specifically, the commenter alleges that Origin Bank disfavors certain African American neighborhoods in Houston and Dallas and has limited its lending, market activities, community development activities, and branching in those areas.

Business of the Applicant and Response to the Comment

Through its network of branches in three states, Origin Bank offers a broad range of loan and deposit products and services to consumers and businesses, including commercial, residential, agricultural, and consumer loans, and personal checking and savings accounts. Origin Bank denies the commenter's allegations. The bank represents that the bank's compliance personnel regularly review information relating to loan volume and geographic penetration with the bank's market presidents, and community development loans, services, donations and investments are tracked and are routinely communicated to bank management. Origin Bank further asserts that it maintains policies, procedures, and practices to ensure compliance with the CRA and applicable fair lending laws and regulations. Additionally, Origin Bank asserts that it continually seeks meaningful partnerships with nonprofit organizations, schools, community organizations, and small businesses to foster community development.

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

¹³ Redlining is the practice of providing unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristics of the residents of the area in which a credit seeker resides or will reside or in which a property to be mortgaged is located. See Interagency Fair Lending Examination Procedures (August 2009), available at <https://www.ffiec.gov/pdf/fairlend.pdf>.

evaluates an institution's performance in light of examinations and other supervisory information and information and views provided by the appropriate federal supervisors.¹⁴ In this case, the Board considered the information collected by and the findings of examiners from the Federal Reserve Bank of Dallas ("Reserve Bank"), who conducted an on-site CRA performance evaluation of Origin Bank.

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.¹⁵ 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 the Home Mortgage Disclosure Act ("HMDA"),¹⁶ 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

¹⁴ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48506, 48548 (July 25, 2016).

¹⁵ 12 U.S.C. § 2906.

¹⁶ 12 U.S.C. § 2801 et seq.

farm, and consumer loans (as applicable) in the institution's assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, 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;¹⁷ (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.

CRA Performance of Origin Bank

Origin Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the Reserve Bank, as of October 24, 2016 ("Origin Bank Evaluation").¹⁸ Origin Bank received a "High Satisfactory" rating for each of the Lending Test and the Service Test and a "Low Satisfactory" rating for the Investment Test.¹⁹

¹⁷ Examiners also consider the number and amounts of small business and small farm loans made 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).

¹⁸ The Origin Bank Evaluation was conducted using Large Bank CRA Examination Procedures. Examiners reviewed HMDA and small business and small farm lending activities reported by the bank from January 1, 2013, through December 31, 2015. The evaluation period for community development lending, investments, and services was September 16, 2013, through October 24, 2016.

¹⁹ The Origin Bank Evaluation included a full-scope review of the bank's AAs within the Monroe, Louisiana, Metropolitan Statistical Area ("MSA"); the Lincoln Parish, Louisiana, MSA; the Dallas-Fort Worth Metroplex, which is composed of counties in the Dallas-Fort Worth-Arlington MSA and the Dallas-Plano-Irving, Texas, Metropolitan Division ("Dallas AA"); and the North Central, Mississippi, MSA. A limited-scope review was conducted in the bank's AAs within the Houston-Sugar Land-Bayton, Texas, MSA ("Houston AA"); the Morehouse Parish, Louisiana, MSA; the Northwest, Louisiana, MSA; and the bank's Oxford, Mississippi non-MSA Mississippi AA.

Examiners found that Origin Bank's overall lending activity reflected good responsiveness to credit needs in its AAs. According to examiners, the bank made an adequate percentage of its loans inside its AAs. Examiners noted that, overall, the bank's distribution of borrowers reflected good penetration among individuals of different income levels and businesses of different revenue sizes. Examiners found that the bank's geographic distribution of loans reflected adequate penetration throughout the AAs. Examiners noted that the bank made a relatively high level of community development loans for a variety of purposes, including community services, economic development, and revitalization and stabilization, but the majority were for affordable housing.

Examiners found Origin Bank's lending performance in the Dallas AA, an area of concern for the commenter, to be adequate. Examiners found that the geographic distribution of the bank's loans in this AA reflected poor penetration, and the bank's distribution of lending to borrowers of different income levels and businesses of different revenue sizes reflected adequate penetration. Examiners found that the bank made a relatively high level of community development loans. In the Houston AA, another area of concern for the commenter, examiners found the bank's lending performance to be consistent with its overall lending performance in the Dallas AA.

Examiners found that the bank's investments demonstrated good responsiveness to credit and community development needs throughout its AAs. Examiners found that the bank had an adequate level of qualified community development investments and grants, particularly those not routinely provided by private investors. In the Dallas AA, examiners found that the bank had an adequate level of qualified community development investments and grants, with investments primarily focused on economic development initiatives. The bank's investment performance in the Houston AA was found to be consistent with the bank's overall investment performance in the Dallas AA.

Examiners found that Origin Bank provided a relatively high level of community development services throughout its AAs. Origin Bank's retail delivery systems were found to be accessible to geographies and individuals of different income

levels located in its AAs. Examiners further noted that Origin Bank's opening and closing of branches did not adversely affect the accessibility of banking services, particularly to LMI geographies and/or individuals. Examiners found that the banking services did not vary in a way that inconvenienced the bank's AAs, particularly LMI geographies and individuals.

In the Dallas AA, examiners found that Origin Bank's performance under the Service Test was good. Examiners compared the distribution of the bank's delivery systems to households and businesses within the area and found that the bank's delivery systems were readily accessible to the bank's geographies and individuals of different income levels. Examiners also found that the bank's retail and community development services reflected good responsiveness to the needs of the AA. Moreover, examiners found that the bank's record of opening or closing branches in the Dallas AA generally had not affected the accessibility of its delivery systems. In the Houston AA, examiners concluded that Origin Bank's service performance was consistent with its overall service performance in the Dallas AA.

Origin Bank's Efforts Since the 2016 CRA Evaluation

Origin Bank represents that since the Origin Bank Evaluation, it has continued to help meet the credit needs of its AAs, including the needs of LMI communities and individuals. Origin Bank represents that it has made community development loans that support economic development and revitalization, as well as loans to organizations providing community services to LMI individuals and families. The bank also asserts that it has continued to offer a broad range of products and banking services that are designed to address the needs of LMI individuals and geographies, including free online banking and mobile banking services and a low-cost checking account with no minimum deposit to open. The bank represents that it participates in a number of grant programs to facilitate its financing of affordable housing, grants to help LMI families, and economic development programs to promote economic growth activities in the bank's AAs, including in Houston. Additionally, Origin Bank asserts that it has continued to partner with nonprofit organizations by having its employees serve on

their boards, developing relationships with small business groups, promoting financial literacy, and sponsoring first-time homebuyers' events that are targeted to LMI consumers.

Additional Supervisory Views

The Board has considered the results of a recent consumer compliance examination conducted by Reserve Bank examiners, which included a review of the bank's compliance risk management program and its compliance with consumer protection laws and regulations. As part of the consumer compliance examination, Reserve Bank examiners also evaluated Origin Bank's fair lending compliance management program, which included an evaluation of the bank's fair-lending-related policies, procedures, and internal controls.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. The proposed branch would be located less than one-half mile from a currently operating branch, which would be closed. The bank believes that the location of the proposed branch would provide more safety and convenience to the bank's customers because the drive-in facility would be part of the branch, whereas the existing branch's drive-in facility is located across the street from the existing branch.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the CRA record of Origin Bank, the bank's record of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by Origin Bank, the public comment 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.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved.²⁰ The Board's approval is specifically conditioned on Origin Bank's compliance with all the commitments made to the Board in connection with the proposal, as well as all conditions imposed in this order. 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 branch must be established 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,²¹ effective September 4, 2018.

Ann E. Misback (signed)

Ann E. Misback
Secretary of the Board

²⁰ The Board construes the comment received on the proposal to include a request that the Board hold a public hearing 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. 12 CFR 262.3(e). The Board has considered the commenter's request in light of all the facts of record. Notice of the proposal was published in relevant newspapers of general circulation on June 12, 2018. The comment period ended on June 27, 2018. 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.

²¹ Voting for this action: Chairman Powell, Vice Chairman for Supervision Quarles, and Governor Brainard.