



**CRA Decision #181
April 2017**

March 17, 2017

Brian Henry
Vice President/Corporate Legal Counsel
UMB Financial Corp.
1010 Grand Boulevard
Kansas City, Missouri 64106

Re: UMB Bank, NA, Kansas City, Missouri to acquire certain assets and assume certain deposits of The Bancorp Bank, Wilmington, Delaware
OCC Control No.: 2016-WE- Business Combination-292770

Dear Mr. Henry:

The Office of the Comptroller of the Currency (OCC) hereby approves the application to purchase certain assets and assume certain deposits of The Bancorp Bank, Wilmington, Delaware (Bancorp) by UMB Bank, N.A., Kansas City, Missouri (UMB). The approval is granted after a thorough review of the application, other materials each of the banks and its representatives supplied, and additional information available to the OCC, including commitments and representations made in the application, and by the banks' representatives during the application process.

I. Bank Merger Act

The OCC reviewed the proposed purchase of assets and assumption of deposits transaction under the criteria of the Bank Merger Act (BMA), 12 USC 1828(c), law and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not have significant anticompetitive effects. We also considered the financial and managerial resources of the banks, their future prospects, their effectiveness in combating money laundering activities, the convenience and needs of the communities to be served and the risk of the transaction to the stability of the United States banking or financial system. Furthermore, OCC reviews records of compliance with the Community Reinvestment Act (CRA), 12 USC § 2903(a)(2). We considered these factors and found them consistent with approval.

II. Community Reinvestment Act

The CRA requires the OCC to take into account the record of the banks' performance in helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, when evaluating applications under the BMA. The OCC considered the CRA

performance evaluation (PE) of each bank involved in this transaction. A review of these records and UMB's response to a public comment related to the proposed transaction and additional information requests from the OCC indicates that the banks' records of helping to meet the needs of their communities are not inconsistent with approval of this application.

A. UMB

UMB's most recent CRA PE, dated April 23, 2007, assigned the bank an overall "Outstanding" rating.¹ The major factors supporting the overall "Outstanding" rating included: (i) an excellent geographic distribution of loans in UMB's Kansas City Metropolitan Area (MA) and the state of Kansas; (ii) a good geographic distribution of loans in the St. Louis MA and the state of Missouri; (iii) a good borrower distribution of loans in the Kansas City and St. Louis MAs; (iv) an excellent borrower distribution of loans in the states of Kansas and Missouri; (v) an excellent level of community development lending, which had a positive impact on the lending test rating; (vi) an excellent level of qualified investments in the Kansas City MA, the St. Louis MA, and the states of Kansas, Nebraska, and Oklahoma; (vii) a good level of qualified investments in the state of Missouri; and (viii) delivery systems that provided adequate access to low- and moderate-income individuals and geographies.

B. Bancorp Bank

Bancorp's most recent CRA PE, dated June 2, 2015, assigned the bank an overall "Needs to Improve" rating.² Some of the factors supporting the overall "Needs to Improve" rating included: (i) lending levels that reflected poor responsiveness to assessment area (AA) credit needs; (ii) a small percent of loans originated in Bancorp's AA; (iii) a geographic distribution of loans that reflected adequate penetration throughout the AA; (iv) a borrower distribution of loans that reflected poor penetration among businesses of different revenue sizes and individuals of different income levels; (v) a poor record of serving the credit needs of the most economically disadvantaged areas of its AA, low-income individuals, and/or very small businesses; (vi) an adequate level of community development loans; (vii) a significant level of qualified investments and grants; (viii) good responsiveness to credit and community economic development needs; (ix) alternative delivery systems that are reasonably accessible to essentially all portions of the AA;³ and (x) an adequate level of community development services.

¹ UMB was evaluated as a large bank on April 23, 2007. The CRA PE evaluated home mortgage loans and small loans to businesses for the period of January 1, 2003 through December 31, 2006, and community development loans, qualified investments, and community development services for the period of July 7, 2003, through June 30, 2006. A copy of the CRA PE is available at <https://www.occ.gov/static/cra/craeval/Aug08/23920.pdf>.

² The Federal Deposit Insurance Corporation evaluated Bancorp as a large bank on June 2, 2015, for the period of January 23, 2012, through June 2, 2015. A copy of the CRA PE is available at https://www5.fdic.gov/crapes/2015/35444_150602.PDF.

³ Bancorp does not operate any traditional retail banking offices that are open to the general public.

III. Public Comment Summary and Analysis

A. Summary of Public Comment

The OCC received a public comment letter addressing UMB's record of helping to meet the credit needs of its communities, in particular underserved geographies in the Kansas City Multi-State Metropolitan Statistical Area (Kansas City MMSA).⁴ The commenter's primary concern related to the time that has elapsed since UMB's most recent CRA PE. The commenter asserted that due to the absence of a more recent CRA PE, it lacked the resources to effectively evaluate the merits of the proposed transaction, particularly given UMB's growth and changes in the community in the intervening time. In addition to concerns related to the CRA PE, the commenter also identified several concerns regarding UMB's lending and community development performance. Specifically, the commenter expressed concern with UMB's lending levels from 2013 to 2015 to African Americans and other people of color in the Kansas City MMSA, asserting that UMB trailed the market in home mortgage lending for this period. The commenter also expressed concerns regarding UMB's level of Small Business Administration (SBA) lending, which it asserted was less than other banks in the Kansas City MMSA that had a smaller market share than UMB. With regard to community development performance, the commenter stated that it is not aware of significant community development activities that UMB had engaged in the parts of the Kansas City MMSA with the largest concentration of African American consumers and businesses. Based on these concerns, the commenter requested that the proposed transaction not be approved until UMB has completed a community benefits plan, specifying particular elements it believed should be included in such a plan.

B. CRA Record of Performance and Convenience and Needs

The commenter's overarching concern was the absence of a recent CRA PE for UMB. The OCC's CRA PE review of UMB is in process and the OCC has not, therefore, issued a PE or assigned a new performance rating for the bank. The OCC acknowledges the commenter's concern regarding the importance of timely CRA PEs; timely issuance of CRA PEs going forward is a priority for the OCC.⁵

However, in the circumstances of this particular application, approval strongly supports the convenience and needs of certain Bancorp accountholders. In addition to reviewing the banks' past records of performance, as documented in their respective CRA PEs, the OCC considers "the probable effects of the business combination on the convenience and needs of the community served." The OCC's convenience and needs analysis considers reductions in

⁴ UMB's CRA PE uses the term Kansas City Metropolitan Area (MA), while the commenter and the Bank (in response to the commenter) use the term Kansas City Metropolitan Statistical Area (MSA). For purposes of this letter, the OCC will use the term Kansas City MMSA, which encompasses 15 counties in the states of Kansas and Missouri. In addition, within the Kansas City MMSA, UMB defined its AA as including six counties: Cass County, Clay County, Jackson County, and Platte County, Missouri and Johnson County and Wyandotte County, Kansas (Kansas City AA).

⁵ Additional information regarding the OCC's perspective on the significance of the CRA generally, and CRA PEs specifically, is available at: <https://el.occ/news-issuances/speeches/2016/pub-speech-2016-150.pdf>.

services following the proposed transaction and the likely impact on the community. 12 CFR 5.33(e)(1)(ii)(C).

If the OCC does not approve the proposed transaction, current Bancorp customers will experience a reduction in services, which may have a detrimental financial impact on these individuals. As detailed above, UMB submitted an application to purchase certain health savings accounts (HSA) of Bancorp. Specifically, UMB represented that the proposed transaction involves the purchase of approximately 40,000 HSAs with outstanding balances of approximately \$76 million. Further, UMB represented that Bancorp is exiting the HSA market and should the proposed transaction not be approved, Bancorp may close the accounts and disburse balances in the form of checks to current Bancorp HSA account holders. UMB further represented that if that were to happen, these customers could be harmed, as they may lose access to their health savings funds for a period of time, potentially impacting their health care. Additionally, UMB represented that if new accounts are not opened with a new custodian within 60 days, these current Bancorp customers may face tax penalties. UMB represented that it has a dedicated Healthcare Services call center that can handle calls specific to HSAs and will be able to provide current Bancorp HSA customers with balance information, statements, and customer service. To facilitate the transition of accounts, UMB represented that it created a fee structure in line with Bancorp's current offerings to customers.

C. UMB's Lending and Community Development Activities

The commenter expressed concerns with UMB's small business lending, with specific reference to SBA lending, community development activities, and home mortgage lending in the Kansas City MMSA. A summary of UMB's representations with regard to the commenter's concerns are described below.

In responding to the commenter's concerns regarding small business lending, including SBA lending, UMB stated that the commenter's concerns focused on UMB's recent SBA lending activity, and noted that SBA lending does not always benefit "small businesses" as that term is used for purposes of evaluating performance under the CRA. Accordingly, UMB represented that it is more appropriate to evaluate its CRA small business lending performance, rather than to focus only on its SBA lending. To that end, UMB indicated that it will continue to monitor its small business lending goals, considering product offerings, the number of loan originations, and the dollar volume of those loans and how those metrics impact the Kansas City community. UMB represented that as of June 30, 2015, it ranked first among 107 other depository institutions in terms of small business lending market share in its Kansas City AA. In addition, UMB represented that, in 2015, it also ranked first among 125 other small business lenders for having the highest volume of small business loans, as measured in total dollars, in its Kansas City AA. UMB further represented that its small business lending activities within the Kansas City AA extend into low- and moderate-income areas. Specifically, UMB represented that its small business lending in low- and moderate-income census tracts in its Kansas City AA from January 2012 through June 2016 outpaces available demographic data. In addition, UMB represented that it supports small business in the Kansas City AA by: (i) providing \$25,000 in financial support to Kansas City nonprofits whose missions are to support small business programs and

products; (ii) supporting the Heartland Black Chamber of Commerce with a donation and technical assistance; and (iii) supporting the Women's Business Center's WE-Lend fund by leading the effort to raise capital and offering financial support of \$10,000.

UMB also made representations with regard to its community development activities. UMB represented that it performs community needs assessments in all of its AAs. One of the needs UMB recognized as critical to an effective CRA program is financial education and literacy. To this end, UMB represented that its employees have always been engaged in providing financial education; in particular, in 2016 UMB organized a team of financial educators in the Kansas City region. UMB specifically indicated that it supports Money Smart Kansas City and Teach Children to Save. UMB also represented that it has collected information through its needs assessment indicating that vacant housing and depressed home values are a significant challenge for the geographies and residents of Kansas City. UMB represented that although potential solutions are still being discussed, it has sought opportunities to provide technical assistance in developing programs and solutions around vacant housing and depressed home values in Kansas City, including sponsoring the Ivanhoe Neighborhood's application for a Federal Home Loan Bank Affordable Housing Grant.

In response to home mortgage lending concerns, UMB responded that the commenter focused on home purchase and home improvement lending; however, an analysis of its total Home Mortgage Disclosure Act (HMDA) lending data, inclusive of home refinance lending for 2013 through 2015, reveal a more complete understanding of its home lending activities.⁶ In addition, UMB represented that for 2013 through 2015, 12.5 percent of applications for all lenders from African Americans in Jackson County were for Veteran's Affairs-guaranteed (VA) loans and Farm Service Agency- or Rural Housing Service-guaranteed loans, none of which were offered during that time by UMB.

However, UMB represented that it is continually looking for ways to reach qualified minority and low- and moderate-income borrowers, and therefore, it has made several changes to its mortgage lending program, including: (i) revising its product offerings to include VA loans; (ii) finalizing a contract to participate in a mortgage loan subsidy program through the Missouri Housing Development Commission that will benefit low- and moderate-income mortgage applicants in Kansas City;⁷ (iii) developing a credit restoration program with a reputable United States Housing and Urban Development-certified credit restoration counseling organization in the Kansas City region through which UMB will sponsor mortgage applicants previously denied credit in seeking to purchase a home in a low- or moderate-income geography in the bank's Kansas City AA; and (iv) expanding the bank's team of mortgage lenders to include two Community Mortgage Lenders in Kansas City and St. Louis who will be focused on financial education and mortgage lending in low- and moderate-income geographies, as well as in majority-minority geographies. Further, UMB represented that it provides access to several additional mortgage products that offer flexible underwriting options including: (i) Federal

⁶ Specifically, UMB represented that when all HMDA data are analyzed, 7.8 percent of its applications in Jackson County, Missouri (Jackson County) were from African American applicants.

⁷ UMB represented that it continues to evaluate for participation additional subsidy programs that impact geographies other than Kansas City.

Housing Administration products; (ii) Fannie Mae's HomeReady product; and (iii) Freddie Mac's Home Possible products.

With regard to the commenter's concerns regarding potentially discriminatory lending practices, UMB represented that it is dedicated to complying with fair lending laws. To this end, UMB represented that it maintains a Fair Lending Program that includes: (i) fair lending policies and procedures; (ii) an annual risk assessment; (iii) testing and analysis; (iv) internal audit and regulatory oversight; and (v) Board of Directors and employee training. UMB further represented that this Fair Lending Program is overseen by a designated Fair Lending Analyst on the Fair and Responsible Banking Team. Lastly, to ensure UMB employees are trained in fair lending compliance, UMB represented that it maintains a fair lending training program with quarterly assignments that employees must complete on a timely basis, using the bank's online learning management system.

IV. Summary

Accordingly, the OCC concludes the probable effects of the proposed transaction on the convenience and needs of the communities served are consistent with approval of the Application. Further, we conclude that the banks' records of helping to meet the credit needs of their communities are not inconsistent with approval of the Application. The OCC's conclusion is based upon our review of the respective records of banks involved in the proposed purchase of certain HSAs, the Application, the public comment and information provided by UMB in response to the public comment, information provided in response to additional information requests from the OCC, and supervisory materials and other information available to the OCC as a result of its regulatory responsibilities.

V. Consummation Requirements

The Western District Office must be advised in writing in advance of the desired effective date for the purchase and assumption, so it may issue the necessary certification letter. The effective date must follow the applicable Department of Justice's injunction period and any other required regulatory approval.

If the purchase and assumption is not consummated within six months from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains.

UMB Bank, NA, Kansas City, Missouri
OCC Control Number 2016-WE-Combination-292770

The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

All correspondence regarding this application should reference the control number. If you have any questions, contact Senior Licensing Analyst Louis Gittleman at (720) 475-7652 or e-mail at louis.gittleman@occ.treas.gov.

Sincerely,

signed

Stephen A. Lybarger
Deputy Comptroller for Licensing

Enclosure: Survey Letter