

# OLD NATIONAL BANK

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January 9, 2014

Travis Wilbert  
Director of District Licensing  
Comptroller of the Currency  
Central District Office  
One Financial Place, Suite 2700  
440 South LaSalle Street  
Chicago, Illinois 60605

Dear Mr. Wilbert:

Thank you for the opportunity to respond to the public comment that has been submitted regarding the proposed merger of Old National Bank (Old National or we) and Tower Bank & Trust Company (Tower). As noted in our application, Old National and Tower recognize the importance of helping to meet the credit needs of the communities in which they operate. Inner City Press/Fair Finance Watch (ICP) has raised concerns about the impact of this merger on minority consumers. This letter is intended to address those specific concerns so that the regulatory agencies reviewing this merger application can gain comfort that this merger will further the responsible banking practices that have benefited the communities in which Old National and Tower operate. Throughout this letter, we will address some of the specific data that ICP presented and also discuss other foundational ways in which responsible banking can be assessed, such as external regulatory examinations and internal monitoring.

## CRA/Community Development

### A. Old National's Commitment

Old National Bank is a community bank that is passionate and committed to strengthening the communities it serves. At Old National, CRA/Community Development is not viewed just as a regulatory requirement. CRA/Community Development is a key value and a part of who we are as a bank. To help strengthen our community outreach efforts, Old National created a separate, formalized line of business in 2011 specific to CRA/Community Development. This dedicated division of the bank is the organizational focal point that manages compliance with the CRA. To reemphasize Old National's commitment to CRA/community development, it is not the goal of Old National to just meet the legal requirements of CRA. While Old National's "Satisfactory" CRA performance ratings from its primary federal regulator are good, it is not Old National's goal. Old National's aspiration is to achieve and EARN an "Outstanding" CRA performance rating.

In order to achieve this goal, Old National recognized the need to channel additional resources, expand staffing and enhance its community outreach strategic plan. Old National focused energy on attracting, training and supporting staff that have specialized community development skills to permit the bank to meet the growing challenges of community development. In 2012, Old National hired a proven Community Development Manager with more than 20 years of CRA/community development experience to provide a more comprehensive approach to fulfilling its obligation and responsibilities under CRA.

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The implication in the letter from ICP that Old National has an ulterior motive, other than making a prudent business decision, when determining alterations to its banking services delivery system is not substantiated. A careful review of Old National's Public File reveals that from 2010 to April 1, 2013 Old National opened 50 banking centers and consolidated, closed, relocated or divested 50 banking centers.

A further review of Old National's Public File reflects that Old National has 174 banking centers open as of April 1, 2013, of which 40 or 23% of the banking centers are located in Moderate Income census tracts. In addition, there are 7 banking centers located in Low Income census tracts. Old National has 47 banking centers located in Low-to-Moderate Income (LMI) census tracts or 27% of its total banking center locations are in LMI areas. These figures use only the street address of each branch and do not consider that other Old National branches may also serve contiguous LMI census tracts even if they are physically located in another census tract.

#### Lending to Minority Borrowers

The commenter also raised fair lending concerns related to Hispanic and African American consumers in the Evansville, Indianapolis and Ft. Wayne, Indiana markets. The commenter make claims about low lending volumes and denials, but consideration should be given to the overall minority population in these markets and or Old National's market share. Without filtering for specific products or loan type, it should be noted that for the markets that the commenters selected, Old National's denial rates for all minorities are on par with the denial rates for all other lenders as indicated by the statistics in the following table:

**2012 Mortgage Minority Denial Rate to White Denial Rate**

MSA	ONB	Top Lenders in MSA
Indianapolis IN-KY MSA	1.45%	1.58%
Evansville IN-KY MSA	1.48%	1.59%
Fort Wayne IN MSA	3.27%	2.06%

Below are responses regarding each of the commenter's specific claims about lending to minority borrowers by Old National covered by the 2012HMDA lending data.

- **Claim #1:** In the Indianapolis MSA, ONB made 78 conventional home purchase loans to white borrowers and none to African American borrowers or Latino borrowers (Table 4.2).
- In Table 4-1, ONB made 25 loans to whites, 1 to an African American and none to Latinos, denying both applications it received from Latinos and suggesting this is a pattern (Note: Table 4-1 is the disclosure table for Disposition of Applications for FHA, FSA/RHS, and VA Home Purchase Loans)

**Response:** There were no African American applications received. Therefore, no conventional home purchase loans were made. In regards to the Latino lending results, there were 2 applications received; 1 application was withdrawn and the other application was closed for incompleteness. It is worth noting that Old National had a 1.24 percent mortgage market share in the Indianapolis MSA in 2012. In 2013, which is not reflected on the 2012 HMDA data, Old National made a total of 11 HMDA reportable loans to African Americans and 10 to Latinos. Additionally, Old National purchased 54 individual LMI conventional home purchase loans in the Indianapolis MSA, from Indiana

Neighborhood Housing Partnership. Twenty seven (27) of these loans were to African American borrowers. Lastly, the ONB Minority Denial Rate to White Denial Rate was 1.45, which is below the average denial rate for all lenders in the Indianapolis MSA of 1.52.

Pertaining to the allegations in regards to Table 4-1, please note that there were only 2 applications from African Americans, one of which was approved and the other application was withdrawn. Our Table 4-1 reflects 3 (vs. 2 suggested by ICP) Latino applications. Two (2) of the applications were withdrawn, not denied as alleged, and the third application file was closed for incompleteness.

The 2012 HMDA shows that Old National made 89 conventional purchase loans compared to 11,721 made in aggregate for conventional purchases. This represents 0.76% of the total market share. There were 348 loans made in aggregate to African Americans and 133 loans to Latinos in 2012 for conventional purchases. Based on our market share of 0.76%, we would only have been expected to have made 3 loans to African Americans and 1 loan to Latinos.

- **Claim #2:** In the Indianapolis MSA, Old National made 601 refinance loans to White borrowers, 18 to African American borrowers and seven to Latino borrowers.

**Response:** ICP made a statement of fact without any allegations. We submit that the statement is factual and accurate and does not suggest any lending patterns.

It is noteworthy that we also made ten loans that were joint with white/minorities and five loans that were joint with Latinos.

The 2012 HMDA shows that Old National made 703 refinance loans compared to 50,299 made in aggregate for refinance loans. This represents 1.4% of the total market share. There were 1840 loans made in aggregate to African Americans and 476 loans to Latinos in 2012 for refinances. Based on our market share of 1.4%, Old National would have been expected to have made 26 loans to African Americans and 7 loans to Latinos. We actually made 18 loans to African Americans (a difference of only 8 loans) and 7 loans to Latinos (exactly where we would expect to be compared to our peers).

- **Claim #3:** In the Indianapolis MSA, Old National made 89 home improvement loans to white borrowers; 1 to African American borrowers and none to Latinos, denying both applications.

**Response:** Two applications denied should not be construed as a pattern without evidence of the quality of the applications.

It is important to consider Old National's market share in this market. The 2012 HMDA shows that Old National made 100 home improvement loans compared to 1,725 made in aggregate for home improvement loans. This represents 5.8% of the total market share. There were 53 loans made in aggregate to African Americans and 17 loans to Latinos in 2012 for home improvements. Based on our market share of 5.8%, ONB would have been expected to have made 3 loans to African Americans and 1 to Latinos. We actually made 1 loan to an African American (a difference of only 2 loans) and no loans to Latinos (a difference of only 1 loan).

The 2012 HMDA shows that Old National made 163 home improvement loans compared to 801 made in aggregate for home improvement loans. This represents 20.35% of the total market share. There were 13 loans made in aggregate to African Americans and 4 loans to Latinos in 2012 for home improvements. Based on our market share of 20.35%, ONB would have been expected to have made 3 loans to African Americans and 1 to Latinos.

- **Claim #7** For the Fort Wayne MSA, ONB in 2012 lent only to whites for home purchase and home improvement loans. For refinance loans, ONB made 28 loans to white, one to African Americans and None to Latinos.

**Response:** Old National has a very small market share of mortgage loans in the Fort Wayne MSA. Based on the percentage of loans that we have, it is understandable that very few loans were made to African Americans and Latinos.

The 2012 HMDA shows that Old National made 2 conventional purchase loans compared to 2,606 made in aggregate for conventional purchases. This represents 00.08% of the total market share. There were 55 loans made in aggregate to African Americans and 30 loans to Latinos in 2012 for conventional purchases. Based on our market share of 00.08%, we would have been expected to have made 0 loans to African Americans and 0 loans to Latinos. There were no African American or Latino applications.

The 2012 HMDA shows that Old National made 33 refinance loans compared to 10,637 made in aggregate for refinance loans. This represents 0.31% of the total market share. There were 234 loans made in aggregate to African Americans and 103 loans to Latinos in 2012 for refinances. Based on our market share of 00.31%, ONB would have been expected to have made less than 1 loan to African Americans and zero to Latinos. There were 3 African American applications and 2 Latino applications.

The 2012 HMDA shows that Old National made 3 home improvement loans compared to 526 made in aggregate for home improvement loans. This represents 0.57% of the total market share. There were 17 loans made in aggregate to African Americans and 4 loans to Latinos in 2012 for home improvements. Based on our market share of 0.57%, ONB would have been expected to have made 0 loans to African Americans and 0 loans to Latinos. There were no African American or Latino applications.

### **Substantial Benefits to the Public**

The benefits of this merger for consumers and businesses are addressed in the merger application and should also be evident through the topics that are addressed in this letter. As discussed in the application, this proposed merger would provide customers with an expanded network of almost 170 branches across Indiana, Michigan, Illinois, Kentucky and Ohio. This merger would also allow Tower Bank customers to take advantage of an expanded branch network and a broader range of financial products. By leveraging the combined strengths of both organizations, Old National will build a stronger franchise that will benefit from greater scale, density and top-of-class products and services. This will benefit the current and future customers of the combined organization over time through more efficient and cost-effective provision of banking services and should allow for enhanced levels of products and services.

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Both Old National and Tower Bank have strong commitments to providing responsible products and services to all segments of our communities. While no bank will perfectly meet the needs of every consumer class in every market, the CRA and Fair Lending Programs at both banks have been successful in enhancing their record of community development and responsible lending. This merger will further those efforts and will allow the merged bank to leverage the relative strengths of each bank to further reach the full range of consumer in the combined bank's markets.

**No Hearing Necessary**

The commenter also requested that the Board hold hearings regarding this merger and its public benefits. The Board's regulations provide for a hearing on a notice filed under section 3 of the Bank Holding Company Act if there are disputed issues of material fact that cannot be resolved in some other manner. 12 CFR 225.25(a)(2), Under Its rules, the Board also 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 commenters have 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 commenters' 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 commenters' views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on the facts provided in our initial application as well as this response, we do not believe that public hearings are warranted in this case.

I hope this letter has been helpful in responding to the concerns raised by ICP and demonstrating commitment by Old National Bank to meet the banking needs of their communities. Please let me know if there is any other information you would find helpful as you consider our merger application.

Sincerely,



Robert G. Jones  
President and CEO