Office of the Comptroller of the Currency

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May 15, 2014

Matthew Lee, Esq.
Fair Finance Watch
P. O. Box 580188
Mount Carmel Station
Bronx, NY 10458

Re: Application by U.S. Bank National Association to purchase certain assets and assume certain liabilities of RBS Citizens, National Association
OCC Application Number: 2014-CE-Combination-137227

Dear Mr. Lee:

On January 21, 2014, the OCC received the subject application. After a thorough evaluation of all data available to the OCC, we approved the application. Please see the attached copy of the OCC's decision letter.

If you have any questions, please feel free to contact me at (312) 660-8720 or John.O'Brien@occ.treas.gov.

Sincerely,

John O'Brien/km

John O'Brien
Senior Licensing Analyst

Office of the Comptroller of the Currency

Washington, DC 20219

May 14, 2014

Stephen T. Milligan
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004-2498

Subject: Application by U.S. Bank National Association, Cincinnati, Ohio to purchase certain assets and assume certain liabilities of RBS Citizens, National Association, Providence, Rhode Island Charter Number: 24
OCC Control Number: 2014-CE-Combination-137227

Dear Mr. Milligan:

The Office of the Comptroller of the Currency (OCC) hereby approves the above-referenced application filed by U.S. Bank National Association, Cincinnati, Ohio (U.S. Bank or the bank). This approval is granted based on a thorough review of all information available, including comments and representations made in the application and those of your representatives.

I. The Transaction

U.S. Bank applied to the OCC for approval to purchase certain assets and assume certain liabilities of RBS Citizens, National Association, Providence, Rhode Island (RBS Citizens). The assets, deposits and liabilities to be transferred in the proposed purchase and assumption (P&A) transaction relate to 103 branches of RBS Citizens operating under the Charter One brand located in the Chicago, Illinois, metropolitan division. U.S. Bank has its main office in Cincinnati, Ohio, with branches in many states including Illinois. RBS Citizens has its main office in Providence, Rhode Island, with branches in many states including Illinois.

II. Legal Authority for the Transaction

On January 21, 2014, U.S. Bank applied to the OCC for prior approval to purchase certain assets and assume certain liabilities, including insured deposit liabilities, of RBS Citizens. A national banking association is legally authorized to acquire all or part of a depository institution through a purchase and assumption transaction pursuant to its general banking powers under 12 USC 24 (Seventh). Where the transaction involves one insured depository institution's assumption of the deposit liabilities of another insured depository institution, the assuming bank must comply with the substantive and procedural requirements of 12 USC 1828(c) (the Bank Merger Act), and its implementing regulation, 12 CFR 5.33, as well as the Community Reinvestment Act, 12 USC 2901 *et seq.* (the CRA). Accordingly, the bank must obtain prior approval from the OCC prior to

A. U.S. Bank, N.A.

U.S. Bank's most recent PE, dated December 31, 2008, assigned the bank an overall "Outstanding" rating.[1] The major factors supporting the overall "Outstanding" rating were: (i) an excellent distribution of loans by income level of the borrower; (ii) excellent lending activity; (iii) good distribution of loans by income level of the geography; (iv) community development lending that had a significantly positive influence; (v) an excellent volume of qualified investments originated in the evaluation period demonstrating excellent responsiveness to the identified investment needs of its communities, particularly through investment vehicles that promote affordable housing for low- and moderate-income individuals; (vi) a branch network that was readily accessible to geographies and individuals of different income levels in the vast majority of the bank's assessment areas (AA); (vii) a record of opening and closing branch offices that generally improved access; and (viii) a good level of community development services in most full scope AAs.

B. RBS Citizens, N.A.

RBS Citizens' most recent PE, dated December 31, 2012, assigned the bank an overall "Satisfactory" rating.[2] The major factors that support this rating include: (i) good geographic distribution of loans; (ii) good distribution of loans by borrower income; (iii) good level of community development investments; (iv) a generally excellent level of lending; (v) excellent level of community development services; and (vi) a branch distribution system that is accessible to geographies and individuals of different income levels, especially when branches bordering low- or moderate-income geographies were considered.

V. Public Comments

The OCC received five public comments in response to U.S. Bank's proposed P&A of RBS Citizens branches operating under the Charter One brand located in the Chicago, Illinois, metropolitan division (hereinafter the Chicago MD).[3] Two of the public comments generally viewed the proposed P&A favorably, but commented on particular aspects of U.S. Bank's CRA performance and community involvement. The three remaining comments, all from the same commenter, expressed concerns about U.S. Bank's record for closing branches and home mortgage lending performance in the Chicago MD and three Ohio metropolitan statistical areas (MSAs).

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[1] U.S. Bank, N.A. was evaluated as a large bank on December 31, 2008 for the period of January 1, 2006 through December 31, 2008 and received "Outstanding" ratings for the lending test, investment test, and service test. A copy of the PE is available at http://www.occ.gov/static/cra/craeval/AUG10/24.pdf.

[2] RBS Citizens, N.A. was evaluated as a large bank for the period of January 1, 2010 through December 31, 2012 and received "High Satisfactory" ratings for the lending and investment tests and an "Outstanding" for the service test.

[3] For consistency purposes, this letter uses the term Chicago MD to describe U.S. Bank's Chicago market. The comment letters and U.S. Bank's responses also refer to the Chicago MSA and the Chicago AA; however, in this circumstance, the use of different geographic areas did not produce materially different results.

A. Convenience and Needs

Two commenters indicated that the OCC should consider how the institution that would result from the proposed P&A will benefit the communities it serves, whether by continuing specific products and services or by committing to improving or increasing lending, services, and investments. As previously discussed, the Bank Merger Act requires the OCC to take into consideration the convenience and needs of the community to be served when reviewing a proposed P&A. In connection with this requirement, the OCC considered each of the commenters' requests and concerns.

As previously stated, one commenter expressed hope that U.S. Bank would continue to support local housing counseling agencies, affordable loan products, and grant funding. In responding to this comment, U.S. Bank represented that since 2010 it has partnered with or contributed to over 175 non-profits in the Chicago MD, the community impacted by the proposed P&A.[4] Of these, over 20 non-profit partnerships related to affordable housing, including those that support multifamily housing development, single-family homeownership, down payment assistance programs, and homebuyer education. In addition, U.S. Bank represented that it offers a number of mortgage products targeted to low- and moderate-income individuals and/or neighborhoods. In particular, U.S. Bank identified the American Dream Mortgage[5] and Federal Housing Administration (FHA) guaranteed loans[6] as programs that benefit low- and moderate-income individuals.[7] Further, in addition to other community development loans and investments, U.S. Bank indicated that the bank provided funding for approximately $5.19 million in grants in the Chicago MD from 2010 through 2013.

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[4] Examples of the organizations that U.S. Bank has worked with include: (i) St. Bernard Hospital, which partnered with local organizations to build single family homes around the hospital in an effort to revitalize the neighborhood; (ii) Neighborhood Housing Services of Chicago (NHS) (U.S. Bank's relationship with the organization includes the provision of grants, lending, and a membership on NHS' board); (iii) Chicago Neighborhood Initiatives (U.S. Bank's involvement has included providing capital and technical assistance to the organization to become a standalone, not-for-profit entity and serving on the board of directors); and (iv) The Spanish Coalition for Housing, (U.S. Bank's partnership involves providing corporate contributions and employee volunteers to serve on the board of directors and/or teach financial education classes).

[5] U.S. Bank's American Dream Mortgage is a program offered through the bank's dedicated CRA loan officers. The American Dream Mortgage is available to homebuyers who either have low- or moderate-incomes or who are buying homes in low- or moderate-income census tracts. For borrowers who have completed the required pre-purchase homebuyer education class, the program offers flexible underwriting and low down payment requirements. In addition, the program does not require private mortgage insurance and provides the opportunity to finance up to $5,000 in home repairs. U.S. Bank originated a total of approximately $334 million in American Dream Mortgage loans in 2012 and 2013 across its footprint.

[6] U.S. Bank offers FHA guaranteed loans to the bank's customers. The features of FHA guaranteed loans include flexible qualification guidelines and low down payment requirements. U.S. Bank originated a total of approximately $21 billion in FHA guaranteed loans in 2012 and 2013 across its footprint.

[7] U.S. Bank offers additional mortgage products targeted to low- and moderate-income individuals and neighborhoods including: (i) Freddie Mac Home Possible, (ii) Illinois Housing Development Authority bond programs, (iii) USDA Guaranteed Rural Housing program, and (iv) Ohio Housing Finance Agency bond programs. Moreover, U.S. Bank participates in a number of down payment assistance programs that can help low- and moderate-income individuals qualify to purchase homes.

In response to this comment, U.S. Bank indicated that it would continue to offer the American Dream mortgage product, which will be made available to RBS Citizens' customers following the proposed P&A. Conversely, U.S. Bank stated it would not transition the three RBS Citizens products to U.S. Bank following the proposed P&A. U.S. Bank represented that it did not purchase RBS Citizens' energy efficiency loan program or RBS Citizens' Credit Builder loan program and associated savings accounts. While U.S. Bank stated that it does not offer similar products, it represented that it offers two products that are designed to be credit builder solutions. Specifically, U.S. Bank's Secured Visa Card allows such a customer to set up a savings account as collateral for the customer's U.S. Bank issued credit card, and U.S. Bank also offers a certificate of deposit (CD) secured loan.[9] For customers with RBS Citizens One Deposit checking accounts, U.S. Bank represented that it intends to convert those customers to one of three U.S. Bank checking accounts depending on the age of the customer and pursuant to a migration strategy that aligns RBS Citizens customers with U.S. Bank's lowest cost and highest value checking products.[10] Overall, U.S. Bank represented that it believes that the proposed P&A will enhance its ability to serve the convenience and needs of its communities, including through expanded access to financial products and services available at additional branch locations and ATMs in the Chicago market.

B. Branch Closures

Two commenters expressed concerns related to the potential for U.S. Bank to close branches in the Chicago MD. The first commenter noted disparities between the percentage of the population in low- and moderate-income census tracts and majority-minority census tracts and the percentage of U.S. Bank branches in those census tracts. Based on these disparities, the commenter encouraged the OCC to prohibit U.S. Bank from closing any of its branches or newly acquired RBS Citizens' branches in low- and moderate-income or majority-minority census tracts.[11] Another commenter, who submitted three comment letters, asserted that U.S. Bank has a record of closing branches. In support of this assertion, the commenter cited to a Chicago Tribune article in which U.S. Bank mentioned that there was overlap between U.S. Bank and RBS Citizens branches in the Chicago market. The commenter stated that U.S. Bank should be required to disclose which branches it plans to close in connection with the proposed P&A.

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[9] U.S. Bank's Secured Visa Card is available with deposit/credit limits between $300 and $5,000. The product requires no minimum FICO score (some limitations apply) and customers may request a manual review after the initial 12-month period for a possible release of collateral. In addition, U.S. Bank offers a CD-secured loan to consumers with a minimum FICO score of 600. The minimum loan amount is $3,000 and the repayment terms can be fully amortizing, single pay, or interest only. For both products, U.S. Bank reports loan performance to all three credit bureaus.

[10] U.S. Bank's migration strategy provides that customers will be matched with the account that offers the "best fit" and that each customer will receive a welcome kit that explains the full range of U.S. Bank's products. In addition, all RBS Citizens customers will be provided a 90-day period during which no monthly maintenance fees will be assessed to ensure that customers are aligned with the account that best meets their needs. The majority of customers with RBS Citizens One Deposit checking accounts will convert to a U.S. Bank Easy Checking Account. The One Deposit checking accounts of customers under 18 will be converted to a U.S. Bank Student Checking account. The One Deposit checking accounts for customers over 65 will be converted to a U.S. Bank Premier Checking account.

[11] *12 USC 1831r-1* requires a notice to the OCC. No regulatory approval is required to close a branch.

C. Fair Lending

Two commenters expressed concerns regarding U.S. Bank's volume of home mortgage lending to African American and Latino/Hispanic borrowers in the Chicago MD. In addition, one of the two commenters also expressed concerns about U.S. Bank's volume of home mortgage lending to female, and low- and moderate-income borrowers, and to borrowers in majority-minority census tracts in the Chicago MD. The other commenter expressed additional concerns regarding U.S. Bank's volume of home mortgage lending to African American and Latino/Hispanic borrowers in three markets unaffected by the proposed P&A: the Cincinnati, Ohio MSA, the Akron, Ohio MSA, and the Cleveland, Ohio MSA (collectively, the Ohio MSAs). The commenters suggested that, based on analysis of 2012 HMDA data, the bank's lending to several traditionally underserved groups within the Chicago MD and the Ohio MSAs was unsatisfactory. When comparing the denial rates for home mortgage lending and refinance loans, one commenter stated a higher denial rate for African Americans and Latinos when compared to whites for the Chicago MD and Ohio MSAs.

Pursuant to 12 CFR 25.28(c), the results of the OCC's evaluation of a bank's CRA performance may be adversely affected by evidence of discriminatory or other illegal credit practices. The OCC may lower the overall rating of an institution based on findings of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by any affiliate whose loans are considered part of the bank's lending performance. U.S. Bank's PE noted that the OCC had not identified evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs with respect to this institution.

Regarding the lending concerns raised by the commenters, it should be noted that HMDA data alone is not adequate to provide a basis for concluding that a bank is engaged in lending discrimination or to indicate whether its level of lending is sufficient. Specifically, HMDA data do not take into consideration borrower creditworthiness, housing prices, collateral values, credit scores, and other factors relevant to each credit decision, nor do they fully reflect the range of a bank's lending activities and efforts.

The OCC has reviewed U.S. Bank's home mortgage lending in the Chicago MD to assess possible discrimination in a number of areas including loan underwriting and marketing. Further, in consideration of this application, the OCC also reviewed U.S. Bank's 2012 HMDA data and compared the results to the commenters' concerns relating to U.S. Bank's home mortgage lending, including conventional and government home purchase loans and home refinance and improvement loans in the Chicago MD. None of the OCC's supervisory reviews have resulted in findings of discrimination relating to U.S. Bank's home mortgage retail transactions. It should be noted that in 2012, the Chicago MD had 249 banks with a branch presence and that U.S. Bank had less than a two percent market share. The proposed P&A will provide the bank with greater opportunities to serve this market.

One of the commenters also expressed concerns related to U.S. Bank's home purchase loan and home refinance loan HMDA data in the Ohio MSAs. Notably, the commenter's analysis of 2012

Compliance Division performs targeted risk assessments based on certain products and business units' fair lending risks. Furthermore, U.S. Bank stated that as part of its overall fair lending review the bank compares HMDA application data to peer HMDA application data with respect to gender, race, ethnicity, and age. In addition, U.S. Bank represented that its CRA Program Team evaluates HMDA data and small business lending to low- and moderate-income borrowers and borrowers in low- and moderate-income census tracts. If the comparison shows that an AA's performance is below U.S. Bank's stated goals then employees are asked to implement action plans to address CRA performance promptly. Lastly, U.S. Bank stated that its fair lending oversight continues to evolve and deepen and that it is the bank's goal to build on both institutions' performance through the expanded branch network in order to better serve the Chicago MD, including its minority communities and low- and moderate-income residents.

D. Request for an Extension of the Comment Period

A commenter who submitted multiple comments requested that the OCC extend the comment period and deny the application. The standard that the OCC applies to determine whether to extend a public comment period is set forth in 12 CFR 5.10(b)(2), which provides:

> The OCC may extend the comment period if: (i) The applicant fails to file all required publicly available information on a timely basis to permit review by interested parties or makes a request for confidential treatment not granted by the OCC that delays the public availability of that information; (ii) Any person requesting an extension of time satisfactorily demonstrates to the OCC that additional time is necessary to develop factual information that the OCC determines is necessary to consider the application; or (iii) The OCC determines that other extenuating circumstances exist.

After careful consideration, the OCC has determined not to extend the public comment period. [18] None of the reasons set forth in 12 CFR 5.10(b) as justification for extending a comment period were evident in connection with this application.

E. Summary

Accordingly, based upon our review of the respective records of the banks involved in the proposed P&A, the application, the public comments and the bank's response to those comments, and supervisory materials and other information available to the OCC as a result of its regulatory responsibilities, we conclude that U.S. Bank's and RBS Citizens' records of helping to meet the credit needs of their communities are consistent with approval of the application.

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(3) Corporate Audit Services independently evaluates the effectiveness of the Fair Lending Program and the first and second lines of defense.

[18] It is the OCC's practice to accept public comments after the close of the comment period.