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Governor Lael Brainard  
Chair, Committee on Consumer and Community Affairs  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Ave, N.W.  
Washington, D.C.  
20551

Letter of expression regarding the anticipated impacts of the pending merger of BB&T with SunTrust Bank

Good day:

We write to you today on behalf of West Virginia communities that are currently served by Branch Banking & Trust Company (BB&T) and will be impacted by the pending merger between BB&T and SunTrust Banks, Inc. This letter includes 13 agencies and organizations that provide alternate lending and support services to drive economic, business, and community development in West Virginia communities.

From our vantage point as residents, lenders and technical assistance providers to rural West Virginia communities, we are aware of the significant impacts that this pending merger is likely to have on banking services in our state. As the merger progresses, we seek to share our concerns, propose actions that could be taken to mitigate these impacts, ensure that adequate and necessary services continue to be provided, and urge you to take into account the critical role of banking services to rural communities throughout our state of West Virginia.

#### The critical role of bank services and investments in rural communities

Bank services and bank branches are essential to rural communities. This critical role has been fully recognized by the Federal Reserve. Our rural communities are some of the most authentic and cherished places in America, and yet they face lower incomes and wealth, lower rates of business start-ups, and higher rates of unemployment.

49 out of 55 counties in West Virginia are defined as “rural” by the US Census Bureau, with county populations below 65,000. 50.9% of the total state population (942,029 people) live in rural areas and West Virginia has the third highest proportion of people living in rural areas in the country (only Maine and Vermont rank higher).<sup>i</sup>

As a prominent force for economic research, the Federal Reserve also knows that poverty remains a characteristic of disadvantaged rural communities as Federal Reserve Board Governors Powell and Quarles have very recently acknowledged in speeches given with a rural focus.<sup>ii</sup>

Fed Chairman Jerome Powell gave a speech titled *Encouraging Economic Development in High-Poverty Rural Communities* at a policy forum in Mississippi. Similarly, Vice Chairman for Supervision, Randall Quarles gave a speech titled *Banks as Vital Infrastructure for Rural Communities of the West*.<sup>iii</sup> Both of these speeches recognized the necessity of serving the financial needs of rural communities. While the challenges in these communities are persistent, the need for access to financial services, and for the leadership that is provided by banking partners such as BB&T and SunTrust are critical to nurturing emerging opportunities and driving forward economic development.

The Federal Reserve has been clear about its understanding of this critical need. The question is before us now of whether the Federal Reserve Board will apply this understanding to its review of the merger between BB&T and SunTrust.

#### What we know about BB&T and SunTrust in West Virginia

The merger of BB&T and SunTrust creates the potential for multiple potential impacts that could negatively affect banking services in West Virginia. These concerns arise from the unique relationship that both banks have with West Virginia: for BB&T as a financial institution that provides critical leadership in the state, and for SunTrust as a bank that recently completed a total disinvestment from the state.

SunTrust entered the West Virginia market in 2004 when it bought National Commerce Financial Corp., giving it a presence with ten offices, primarily in and around the capital city of Charleston, West Virginia. However, SunTrust began closing its West Virginia offices several years later, downsizing to six offices in 2013, five offices in 2017, and eventually zero offices by June 30, 2018. SunTrust, which had honed a more urban strategy, moved away from serving the West Virginia market altogether less than fifteen years after entering the state.

BB&T, on the other hand, has shown a strong and important commitment to West Virginia. BB&T entered the West Virginia market in 1999, when it completed the acquisition of Matewan Bancshares of Williamson, West Virginia. BB&T started out with 1.55% of the market and by June 30, 2000 was 12<sup>th</sup> in the state with seven offices and \$318,540,000 in deposits. Over the course of the next eighteen years, BB&T successfully and rapidly grew its business in West Virginia. **As of June 20, 2018, BB&T held the largest market share in the state of West Virginia (for all FDIC-Insured institutions for deposits) with 15.81% of the West Virginia market, 63 offices, and \$5,261,134,000 in deposits.**

While BB&T has been serving the state since 1999 and growing its business, in recent years it has also had the need to close branches. From a high of 78 branches in 2013 and 2014, BB&T consistently closed branches from 2015-2018 ending with 63 branches before the merger. While we understand that branch closings can be part of normal operations for a financial institution, it is a move that has additional implications in rural states.

Rural communities need partners that can overcome credit issues, provide technical assistance to small businesses, support capacity building, and invest in core needs. Chairman Powell references this issue in his February speech,

“In 2018 Federal Reserve staff members met with leaders in rural areas across the country that had recently experienced a bank branch closure. We found that small businesses, older people, and people with limited access to transportation are most affected. We also learned that the loss of the branch often meant more than the loss of access to financial services; it also meant the loss of financial advice, local civic leadership, and an institution that brought needed customers to nearby businesses.”<sup>iv</sup>

West Virginia is a very rural state with transportation access challenges, particularly for rural communities that are a significant distance from micropolitan areas. Local bank branches are a critical mechanism to provide necessary financial services to geographically remote populations across the state. Additionally, and equally important, West Virginia has an aging demographic and lacks broadband infrastructure, limiting access to technology and online services that are becoming the norm in other parts of the country. Bank branches serve as a critical resource when you have a population that is not able to easily adopt on-line banking practices.

#### Small Business – an essential part of the local economy

Access to credit and capital for small businesses is another core concern in the merger process. In 2013 the Appalachian Regional Commission published a study that examined trends in the availability of capital and credit for small businesses in the Appalachian Region. The entire State of West Virginia is within the study area of this report, which found that *small business lending in Appalachia was about 18 percent lower than lending nationally*,<sup>v</sup> and that bank branches are important to lending because *a higher number of bank branches was statistically correlated to a higher number of loans*.<sup>vi</sup>

The potential for the merger to lead to continued branch closures and increased prioritization of urban investment strategies over rural services and support is a critical concern of our organizations.

The reality is that the Community Reinvestment Act obligations for large banks with regional or national presence can usually be met by making community investments and service commitments in non-rural service markets. This means that West Virginia may be overlooked as a state in a future CRA strategy, when West Virginia needs and deserves both CRA community development investment and banking services.

We urge the reviewing agencies of this merger and the banks themselves to recognize the key resources that currently operate within West Virginia that could be essential partners in continuing to leverage and accelerate CRA investments and banking services for rural communities. A dedicated partnership with these entities would continue – and grow – support for West Virginia communities while still enabling the merged bank to continue its regional and national growth strategy.

With this grim truth, we must focus our effort on the shining examples of successful support and investment. In West Virginia, mission-oriented lenders, Community Development Financial Institutions (CDFI) and alternate loan funds are shining examples of successful support and

investment strategies for a rural state. These lenders are the ones filling in the gaps of credit, capital, technical assistance and capacity building in the rural context.

Mission lenders are getting the work done in West Virginia

West Virginia has a strong peer group of CDFIs that works hard to provide loans and services to small businesses, affordable housing developers, and investors in healthcare (such as Federally Qualified Health Centers, which are vital in rural states).

We documented the success of CDFIs and loan funds in West Virginia long before this merger was planned. A peer group of West Virginia CDFIs was formed in 2011 with the help of the Federal Reserve Bank of Richmond. This group, called the West Virginia Loan Fund Collaborative, has grown from a base lending pool of \$7 million dollars available in 2011, to over \$45 million in 2017. The success of this group has been tracked and documented, most notably by the Federal Reserve Bank of Richmond in its 2015 Marketwise Community report,<sup>vii</sup> and its 2018 Community Scope<sup>viii</sup> on the growth and evolution of CDFI partnerships.

**The one place that we feel the most confident that a merger between BB&T and SunTrust could make a meaningful, responsible, and strategic investment would be in the mission-driven lending partners in the West Virginia Loan Fund Collaborative.**

These organizations are serving all regions of the state, including the southern coalfields and mountain highlands, and their loan activity has grown consistently since tracking began in 2011. Neither BB&T nor SunTrust have a track record of investing in West Virginia CDFIs through a CRA strategy and yet these mission-focused lenders provide needed technical support along with credit and capital in the areas of housing, small business, and healthcare facilities.

Our recommendation is to make an intentional investment in West Virginia that will include both financial and non-financial considerations. Commit to a 5-year community benefits agreement to fund lending and community investments in West Virginia, and consider reoccurring investments in equal recommended amounts to ensure that the new bank has a legitimate track record and commitment to CRA strategy in West Virginia.

## Our recommendations

1. **Invest \$20 million dollars of capital, collectively into the CDFI organizations and mission-focused alternative lending partners** that are part of the West Virginia Loan Fund Collaborative to support housing, small business and healthcare facilities.
  - a. Document this activity as a real part of the new bank's CRA strategy.
  - b. This investment will ensure access to capital for housing, health, and small business.
  - c. This investment will engage the organizations that are already working hard throughout the state to serve community credit needs.
  - d. This investment is needed to build up the capital resources for a pipeline of projects in need.
  
2. **Maintain a CRA staff** presence in West Virginia.
  - a. BB&T holds the largest market share in West Virginia, and thus BB&T should keep a full time CRA officer based in West Virginia.
  - b. CRA officers are community leaders and partners in understanding the challenges facing rural communities. You need them to inform your banking practices and ensure ties to the markets you serve.
  - c. Continue BB&T's current practice of engaging stakeholders through bi-annual meetings of Community Development Councils, providing a form for input on the new bank's programs and policies that impact community development and neighborhood revitalization.
  
3. Develop a plan to **support financial literacy and financial education programs in West Virginia** through the schools and nonprofit organizations.
  
4. **Support entrepreneurship education in the schools** through organizations that work with K-12 and the higher education learning systems in the state.
  
5. **Support business innovation and technical assistance** through organizations that provide critical services to entrepreneurs and small businesses in rural communities.
  
6. Make an intentional effort to **direct philanthropic dollars** through the new bank's foundation arm to rural community issues in West Virginia.

West Virginia has a core group of established organizations that are dedicated to advancing housing, health, small business, and education. These organizations are stable, trusted, and proven in their knowledge of rural strategies. The activities matrix below identifies some of the best players for community investment and execution.

<b>ACTIVITY</b>	<b>5 YR TARGET INVESTMENT</b>	<b>CORRESPONDING CONCERN</b>
1. Affordable housing and mortgage lending to LMI Communities & Borrowers through CDFI partners and mission-focused alternative lenders, such as Community Works in WV, Inc.	\$3 Million	Access to credit and capital
2. Small Business Lending in LMI Communities through CDFI partners and mission-focused alternative lenders: WV Loan Fund Collaborative members	\$15 Million	Access to credit and capital
3. Make community clinic and health facilities Investments in rural communities through health sector CDFI partners and mission focused alternative lenders, such as: Center for Rural Health Development	\$2 Million	Build up the capital resources for a pipeline of projects in need
4. Make investments into community organizations and initiatives including but not limited to economic development, neighborhood revitalization/stabilization, and community services through the new bank's Foundation arm.	\$1.5 Million	Loss of Civic leadership
5. Financial education and financial literacy, such as KISRA	\$3 Million	Loss of financial advice
6. Entrepreneurship and Innovation support to organizations such as INNOVA, Tech Connect and member organizations; WV Hive	\$5 Million	Loss of financial advice
<b>TOTAL Impact: Housing, Health, Small Business, Education, and Nonprofit</b>	<b>\$29.5 Million</b>	

In closing, we fear the inevitable decline in banking services in West Virginia as a result of this merger.

We expect that this merger will lead to a redirection of focus of the CRA efforts in rural communities and in states in the southern geography of the current BB&T and SunTrust banking footprint. This change in CRA focus and the likely additional closing of bank branches will negatively impact banking services in West Virginia. SunTrust's movement away from the West Virginia market, along with BB&T's branch closures in West Virginia, should be taken into consideration by the regulators as BB&T and SunTrust merge.

Please consider the complexity of rural communities and the important role that banking services play in disadvantaged local economies. The CRA strategy for large banks should not forget about rural communities, but rather encourage banks to seek more opportunities in underserved areas. As a new bank emerges from this merger, the best way to support a strong and stable economy in West Virginia is to invest in our strong system of successful CDFIs who invest in housing, health, and small business, and to further support those dedicated to entrepreneurship and financial education.

SIGNED

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Direct Recipients:

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Mr. Michael Gibson, Director, Supervision and Regulation, Board of Governors of the Federal Reserve System

Mr. Tom Barkin, President and CEO, Federal Reserve Bank of Richmond

Ms. Lisa White, Executive Vice President, Supervision, Regulation and Credit, Federal Reserve Bank of Richmond

Dr. Raphael Bostic, President and CEO, Federal Reserve Bank of Atlanta

Ms. Cynthia Goodwin, Vice President and Interim Head of Supervision, Federal Reserve Bank of Atlanta

Mr. Kelly King, Chairman and CEO, BB&T Corporation

Ms. Sharon Jeffries-Jones, Senior Vice President and Director, CRA/Community Development Department, BB&T Corporation

Mr. Brian Coyle, CRA Investment Manager, BB&T Corporation

Mr. William Rogers, Jr. Chairman and CEO, SunTrust Banks, Inc.

The Honorable Maxine Waters, Chair, U.S. House Committee on Financial Services, U.S. House of Representatives

Mr. John Taylor, President and Founder, National Community Reinvestment Coalition

Mr. Jesse Van Tol, Chief Executive Officer, National Community Reinvestment Coalition

Cc:

The Honorable Shelley Moore Capito, U.S. Senate

The Honorable Joe Manchin, U.S. Senate

The Honorable David McKinley, U.S. House of Representatives

The Honorable Alex X. Mooney, U.S. House of Representatives

The Honorable Carol Miller, U.S. House of Representatives

Federal Co-Chair Tim Thomas, Appalachian Regional Commission

The Honorable Jim Justice, Governor of West Virginia

Ms. Dawn Holstein, Commissioner of Banking, West Virginia Division of Financial Institutions

Secretary Ed Gaunch, West Virginia Department of Commerce

Mr. Kris Warner, State Director, USDA Rural Development in West Virginia

Ms. Sally Cline, President and CEO, West Virginia Bankers Association

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<sup>i</sup> [https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml?\\_ts=498475891688](https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml?_ts=498475891688)

<sup>ii</sup> <https://www.federalreserve.gov/newsevents/speech/powell20190212a.htm>

<sup>iii</sup> <https://www.federalreserve.gov/newsevents/speech/quarles20181205a.htm>

<sup>iv</sup> <https://www.federalreserve.gov/newsevents/speech/powell20190212a.htm>

<sup>vi</sup> [https://www.arc.gov/research/researchreportdetails.asp?REPORT\\_ID=104](https://www.arc.gov/research/researchreportdetails.asp?REPORT_ID=104)

<sup>vii</sup> [https://www.richmondfed.org/publications/community\\_development/marketwise\\_community/2015/issue\\_2/mw\\_c\\_vol5-issue2\\_p1\\_intro](https://www.richmondfed.org/publications/community_development/marketwise_community/2015/issue_2/mw_c_vol5-issue2_p1_intro)

<sup>viii</sup> [https://www.richmondfed.org/publications/community\\_development/community\\_scope/2018/community\\_scope\\_2018\\_issue\\_2](https://www.richmondfed.org/publications/community_development/community_scope/2018/community_scope_2018_issue_2)