MAXINE WATERS, CA
CHAIRWOMAN

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

LA19-143
PATRICK MCHENRY, NC
RANKING MEMBER

FDIC
MAY 8 2019
OFFICE OF LEGISLATIVE AFFAIRS

May 8, 2019

The Honorable Jerome H. Powell
Chairman
Board of Governors of
the Federal Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chairman Powell and Chairman McWilliams:

I write to express my concerns with the proposed merger between BB&T and SunTrust. The proposed merger raises many questions and deserves serious examination from banking regulators, Congress and the public to determine its impact and whether it would create a public benefit for consumers. I urge your agencies to provide a high degree of scrutiny of this proposed merger of what could become the sixth largest bank in the United States. This level of review is critical, even if it means taking more time to conduct the appropriate due diligence and ensure all affected stakeholders have an opportunity to be heard. To that end, while I appreciate the Board of Governors of the Federal Reserve System (Federal Reserve) and the Federal Deposit Insurance Corporation's (FDIC) efforts in conducting two public hearings in Charlotte, North Carolina, and Atlanta, Georgia, as well as extending the public comment period,[1] your agencies should hold additional public hearings in other states that would be affected by the proposed merger to ensure the agencies have a wide range of perspectives before making a decision on the merger application.

According to SunTrust, they currently have branches in Alabama, Arkansas, District of Columbia, Florida, Georgia, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.[2] The bank provides a range of products and services, including commercial banking, consumer banking, consumer lending (HELOC, credit card), private wealth management and retail mortgage to consumers in these states. The bank also provides products and services across the country, including corporate and investment banking, commercial real estate, consumer lending, specialty private wealth management, and correspondent mortgage.[3] As of December 31, 2018, SunTrust had more than $215 billion in total assets.[4]

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[1] Federal Reserve, "Agencies announce two public meetings on merger of BB&T and SunTrust; public comment period extended," (Mar. 14, 2019), available at:
https://www.federalreserve.gov/newsevents/pressreleases/other20190314a.htm
[2] https://www.suntrust.com/branch
[3] SunTrust, Annual Report 2018, available at:
http://s2.q4cdn.com/438932305/files/doc_financials/2018/annual/SunTrust-2018-Annual-Report.pdf.
[4] https://www.ffiec.gov/nicpubweb/nicweb/hcsgreaterthan10b.aspx

According to BB&T, they currently have a presence through branches and ATMs in Alabama, District of Columbia, Florida, Georgia, Indiana, Kentucky, Maryland, North Carolina, New Jersey, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and West Virginia.[5] BB&T has several national businesses, such as insurance and corporate banking, as well as traditional retail and consumer finance products and services it offers its customers.[6] As of December 31, 2018, BB&T had more than $225 billion in total assets.[7]

The proposed merger is simply not between two small banks located in Georgia and North Carolina, but rather between two of our largest banks with a presence in numerous states and products and services being offered across the country. In fact, if the merger is approved, it would create the largest bank the FDIC has ever supervised as the primary Federal regulator. Certainly, two public hearings are insufficient for the agencies to fully understand what the ramifications will be for millions of Americans.

In addition, the proposed merger was announced less than a year following the enactment of S. 2155 by the last Congress, a bill that I warned was a broader deregulatory giveaway to the largest banks instead of being focused on sensible improvements for community banks, as the proponents of the bill argued. Experts noted the legislation would likely incentivize bank mergers and accelerate industry consolidation,[8] making it more difficult for community banks to compete on a level playing field.[9]

There are also concerns that have been raised about regulators rubber-stamping prior merger and acquisition applications. For example, based on data provided by the Federal Reserve,[10] from January 1, 2006 through December 31, 2017, over 3,800 merger applications were submitted to the agency. During this eleven-year period, however, the Federal Reserve did not reject *any* merger application.

There are also many questions about how this proposed merger could specifically impact employees, branches, consumers and communities. For example, it has been reported that the banks will cut costs by closing branches, and that roughly 740 of their branches are within 2 miles of each other. Lesley Weaver, attorney for the National Black Farmers Association, explained at the first public hearing that branch closures in

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[5] https://www.bbt.com/locator/search.html
[6] BB&T, Annual Report 2018, available at: https://bbt.investorroom.com/download/Annual+Report+2018.pdf.
[7] *Supra* note 4.
[8] Michelle Fox, "Bank mergers will 'absolutely' accelerate thanks to regulation rewrite, predicts analyst Mike Mayo," CNBC (March 16, 2018), available at: https://www.cnbc.com/2018/03/16/bank-mergers-will-absolutely-accelerate-predicts-analyst-mike-mayo.html.
[9] David Dayen, "Bill Aimed at Saving Community Banks is Already Killing Them," The Intercept (May 16, 2018), available at: https://theintercept.com/2018/05/16/wall-street-bank-regulation-bill/.
[10] Federal Reserve Chair Jerome Powell Response Letter to Sen.Warren related to Bank Merger Applications (May 10, 2018), available at:
https://www.warren.senate.gov/imo/media/doc/Powell%20Response%20re%20Mergers.pdf

rural areas would hurt black farmers, noting, "Increased market concentration leads to worse economic terms for bank customers."[11]

Given these concerns, please detail your reaction to Ms. Weaver's comment and how this proposed merger could adversely impact consumers' access to affordable financial products and services; possible Community Reinvestment Act implications within rural and underserved markets; and exploring how both agencies are evaluating adequate remedies for employees affected by lay-offs. Please also schedule additional public hearings in other states that would be affected by this merger to hear from a larger group of stakeholders given its significant potential impact.

Finally, the proposed merger warrants serious scrutiny from Congress. This is especially true given the rubber-stamping bank merger applications receive from regulators as demonstrated by the recent data regarding the Federal Reserve's reviews. As the Committee intends to conduct thorough oversight of this merger, including holding our own public hearings on the matter, I respectfully ask that your agencies defer any final decisions on the merger application until after the Committee completes a full and thorough review of the proposed merger.

Thank you for your attention to this urgent matter. I look forward to your prompt written response by May 15, 2019.

Sincerely,

[redacted]

MAXINE WATERS
Chairwoman

cc: The Honorable Patrick McHenry, Ranking Member

[11] Charlotte Observer, "BB&T, SunTrust merger plan for Charlotte draws mixed reaction from the public," Charlotte Observer (Apr. 25, 2019), available at:
https://www.charlotteobserver.com/news/business/banking/article229593849.html.

FEDERAL DEPOSIT INSURANCE CORPORATION

JELENA McWILLIAMS
CHAIRMAN

May 15, 2019

Honorable Maxine Waters
Chairwoman
Committee on Financial Services
House of Representatives
Washington, D.C. 20515

Dear Chairwoman Waters:

Thank you for your letter regarding the pending application for the merger of SunTrust Bank, Atlanta, Georgia and Branch Banking and Trust Company, Winston Salem, North Carolina (BB&T), which is subject to the approval of the Federal Deposit Insurance Corporation (FDIC) under the Bank Merger Act (BMA) and of the Federal Reserve Board of Governors (FRB) under the Bank Holding Company Act (BHCA).

Your letter raises a number of concerns related to the relevant geographic and product markets affected by the proposed merger, the size of the institution that would result from the proposed merger, and trends in industry consolidation. Your letter urges the FDIC and FRB to review the application with a high level of scrutiny; suggests that the agencies hold additional public hearings; and invites the agencies to consider how the merger could impact employees, branches, customers, and communities. You have specifically asked the agencies to describe how they will consider the effects of the transaction on market concentration; how the proposed merger could adversely affect consumers' access to affordable products and services; Community Reinvestment Act (CRA) implications within rural and underserved markets; and how the agencies evaluate adequate remedies for employees affected by lay-offs.

Merger transactions are considered under the framework of the BMA, section 18(c) of the Federal Deposit Insurance Act (FDI Act), 12 U.S.C. § 1828(c). Many of the concerns that you have identified are relevant to the statutory factors that the BMA requires the FDIC to consider. The FDIC will scrutinize the application by thoroughly considering it in the context of all factors under that framework, which include:

1) Whether the proposed merger transaction would result in a monopoly;
2) Whether the effect of the proposed merger in any section of the country would substantially lessen competition or tend to create a monopoly, or in any other manner restrain trade, unless the responsible agency finds that the anti-competitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served;
3) The financial and managerial resources and future prospects of the existing and proposed institutions, the convenience and needs of the community to be served, and the risk to the stability of the U.S. banking or financial system;

4) The effectiveness of any insured depository institution involved in the transaction in combatting money laundering activities, including in overseas branches; and
5) Whether, upon consummation of the transaction, the resulting insured depository institution would control more than 10 percent of the total amount of deposits of insured depository institutions in the U.S.

With respect to market concentration, the FDIC assesses the competitive effects of the proposed transaction in all relevant geographic markets, taking into consideration the products and services offered by the merging institutions and to be offered by the resulting institution. The FDIC also fully takes into account the Department of Justice's competitive factors report and the FRB's analysis under the BHCA in this context.

In addition, the BMA requires the FDIC to consider how the proposed merger would affect the convenience and needs of the communities to be served by the resulting institution. In so doing, the FDIC fully considers how the proposed merger may affect consumers' access to affordable financial products and services. Furthermore, as required under the CRA, the FDIC must fully consider the record of performance of each institution involved in the merger in meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution.

With respect to possible branch closures, BB&T's April 16, 2019 response to the agencies' information request indicated that no definitive decisions have been made regarding specific branches to be closed or consolidated as a result of the merger. However, it should be noted that an institution must submit a branch closing notice to the appropriate Federal banking agency, as well as to bank customers, no later than the first day of the 90-day period ending on the date proposed for the closing.

The agencies held two public meetings on the merger and extended the public comment until May 3, 2019, providing the public additional time to submit comments. The agencies have received and are considering a significant number of comments from the public.

Finally, please be aware that the decision to approve or deny the application in this matter will be made by the FDIC Board of Directors. I sincerely appreciate your interest in this merger, and look forward to continued engagement with the Committee as the FDIC carries out its statutory obligation to thoroughly review the application.

If you or your staff have further questions or comments, please do not hesitate to contact me at (202) 898-6868 or M. Andy Jiminez, Director, Office of Legislative Affairs, at (202) 898-6761.

[redacted]

Jelena McWilliams