Reinvestment PARTNERS
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July 14th, 2017

Reinvestment Partners
110 E. Geer St.
Durham, NC 27701

Federal Reserve Bank of St. Louis
David L. Hubbard, Senior Manager
P.O. Box 442
St. Louis, Missouri 63166-2034.
Comments.applications@stls.frb.org

RE: 82 FR 28659, Document # 2017-13138 Application by First Horizon National Corporation, Memphis, Tennessee to merge with Capital Bank Financial Corp., Charlotte, North Carolina, and thereby indirectly acquire Capital Bank Corp., Raleigh, North Carolina.

Dear Sir:

Reinvestment Partners opposes the application by First Horizon National Corporation in Memphis, Tennessee, to merge with Capital Bank Financial Corporation based in Charlotte, North Carolina. The merger will undermine the credit needs of underserved communities in North Carolina. Neither First Tennessee Bank nor Capital Bank have demonstrated a commitment to serving the needs of low-income and minority communities or borrowers. As a result, we believe that low-income and minority communities will be worse off if the merger is approved, particularly in North Carolina.

First Tennessee Bank's most significant presence is in Tennessee, where it is first in deposit share in the state of Tennessee and the Memphis, TN-MS-AR MSA. First Tennessee currently has seven branches in North Carolina, with four offices located in Raleigh or Cary in Wake County. Capital Bank operates 96 retail branches in North Carolina. Although both banks are full-service banks, Capital Bank's primary lending focus is commercial lending and First Tennessee focuses on retail and commercial banking. However, both conduct a significant amount of residential mortgage lending.

Although both banks received Satisfactory ratings on their most recent CRA exams, examination of their lending to low- and moderate-income communities and borrowers and to minority borrowers indicates that the banks are failing to meet needs of the underserved.

If the merger were to be approved, we ask that it be approved only if the following conditions are met:

- A plan to address fair lending issues and commitment to goals to increase lending to minorities;
- Commitment to increase lending to LMI borrowers;
- Commitment to increase lending in LMI geographies (with an emphasis on owner-occupied housing and not investor owners);
- A community development plan with goals for community development lending and investments that are creative, innovative, and impactful;

- Commitment to devote at least 15% of supplier spend to minority-owned enterprises;
- Improvements to product offering, including a second-chance demand deposit account that does not have overdraft or insufficient funds fees and increased availability of the prepaid card in all branches and in all states;
- Changes to the low-to-high debit sequencing, which currently is designed to maximize fees for the bank while penalizing the consumer; and
- Commitment to transparency and third-party monitoring of progress toward the lending and community development goals.

FIRST TENNESSEE BANK, NATIONAL ASSOCIATION

First Tennessee Bank has not demonstrated a commitment to serving the needs of low-income communities. In addition, they have a poor record of lending to minorities. Based on their prior actions, First Tennessee's expansion of its footprint in North Carolina through the acquisition of Capital Bank will not increase access for those communities and borrowers who most need it.

First Tennessee has a poor record of lending to low-to-moderate-income ("LMI") borrowers and in LMI neighborhoods.

First Tennessee has received credit for providing a satisfactory level of credit inside its assessment areas. However, its record of serving low- and moderate-income (LMI) communities and borrowers is more problematic. In First Tennessee's 2014 CRA exam, the Office of the Comptroller of the Currency noted that the bank had "poor geographic distribution of home mortgage loans" and that "overall, the distribution of loans by income level of the borrower is poor". First Tennessee Bank's poor lending to LMI communities and borrowers is a consistent theme across its markets.

First Tennessee has a history of poor performance in North Carolina. In its 2014 CRA exam, First Tennessee received a Low Satisfactory in both lending and services in North Carolina. In its 2010 CRA exam, First Tennessee received a Needs to Improve rating in North Carolina. In the North Carolina evaluation in 2014, First Tennessee's "overall geographic distribution of loans was very poor as demonstrated by a very poor distribution of home mortgage loans in geographies of different income levels". In addition, the "overall borrower income distribution was very poor, as evidenced by a very poor distribution of home mortgage loans to borrowers of different income levels".

Two assessment areas in North Carolina were reviewed for CRA performance: Winston-Salem MSA received a full scope review and Raleigh-Cary MSA received a limited scope review. First Tennessee's retail branches are located primarily in Wake County in the Raleigh-Cary, MSA. At the time of the CRA exam, its Winston-Salem branch was limited to wealth management and commercial banking, but that does not relieve them of their obligation to serve the entire community, including LMI geographies and borrowers.

In North Carolina, First Tennessee has concentrated its efforts on serving upper income geographies and borrowers and excluded LMI geographies and borrowers. Overall, during the four-year period of the CRA evaluation, from 2010 through 2013, First Tennessee originated 114 home purchase and refinance loans in North Carolina's two assessment areas. Of those loans, First Tennessee made 4 home purchase and refinance loans in moderate-income census tracts in North Carolina. The bank did not make any home purchase or refinance loans in low-income census tracts in those MSAs over that four-year period. First

Tennessee made 3 home purchase and refinance loans to LMI borrowers. Nearly 79% of the bank's purchase and refinance loans were in upper income census tracts and 94% were to upper income borrowers.

In Winston-Salem, the geographic distribution of the bank's lending was rated as "very poor" and the geographic distribution of home mortgage loans was also considered "very poor". In Winston-Salem, First Tennessee made no mortgage loans in low-income geographies from 2010-2013 and 3 mortgage loans (home purchase and refinance) in moderate-income census tracts. The overall borrower distribution of the bank's lending, including home mortgage loans, was also identified to be "very poor". The bank made 2 of 91 home purchase and refinance loans to LMI borrowers in Winston-Salem over that four-year period.

In the Raleigh-Cary MSA, where First Tennessee has the majority of its North Carolina branches, the bank's lending performance was weaker than the bank's overall "Low Satisfactory" performance. The bank originated only 1 purchase or refinance loan in Raleigh-Cary to an LMI borrower during the four years from 2010 to 2013, and only 1 mortgage loan in a moderate-income geography. Overwhelmingly, First Tennessee concentrated its mortgage lending to upper income borrowers in Raleigh-Cary (87%).

The performance examination noted that the bank's community development lending had a significantly positive impact on its overall lending performance in Winston-Salem. The bank renewed a $12 million loan to the City of Winston-Salem for downtown economic development and originated a $500,00 loan to a nonprofit that serves homeless families and individuals. It does not appear that First Tennessee made any community development loans in the Raleigh-Cary MSA.

In 2016, First Tennessee's pattern of low levels of lending to LMI borrowers continued. That year, First Tennessee originated a total of 3 mortgage loans to LMI borrowers in North Carolina, out of 87 total loans. Mortgage loans to LMI borrowers accounted for just 3.4% of their mortgage loans in North Carolina. In the Winston-Salem MSA, the bank's largest NC market for mortgage loans, First Tennessee made 0 mortgage loans to LMI borrowers.

First Tennessee 2016 Mortgage Loans Originated in North Carolina			
MSA Name	**LMI Loans**	**All Loans**	**Percent LMI**
Charlotte-Concord-Gastonia	0	4	0.0%
Durham-Chapel Hill	0	6	0.0%
Raleigh	2	21	9.5%
Wilmington	1	3	33.33%
Winston-Salem	0	44	0.0%
Rural Counties	0	5	0.0%
Total*	3	87	3.4%

* Table does not break out specific MSAs with fewer than three total loans

First Tennessee Bank has disproportionately low levels of lending to and extremely high denial rates of minority borrowers, raising continued fair lending concerns.

Even more alarming than First Tennessee's poor record of serving LMI communities in North Carolina is First Tennessee's record of lending to minority borrowers. There is an extensive history of fair lending issues at First Tennessee and Capital Bank. In January 2016, First Tennessee settled a fair housing complaint related to disproportionately low levels of mortgage originations to and disproportionately high levels of denials of African American and Hispanic borrowers throughout its footprint. A review of First Tennessee's mortgage lending in 2016 suggests that the bank has not adequately resolved the issue and that fair lending problems persist.

In North Carolina in 2016, First Tennessee had 2 African American mortgage applicants, representing 1.9% of 108 total mortgage applicants throughout the state. In each case, the applications were accepted and the loans were originated. In North Carolina, African Americans comprise more than 22% of the population. In Wake County and Forsyth County, where First Tennessee branches are located, African Americans make up 21.2% and 26% of the population respectively.

First Tennessee had no Hispanic applicants in North Carolina in 2016 and therefore originated no mortgage loans to Hispanics in North Carolina. Hispanic residents comprise 9.2% of the North Carolina population, 10% of the Wake County population, and 12.7% of the Forsyth County population.

First Tennessee Mortgage Lending in North Carolina in 2016			
	African American	**Hispanic**	**Total**
Mortgage Applicants	2	0	108
Originations	2	0	87

Throughout its footprint, African Americans are underrepresented in First Tennessee's mortgage lending. Only 5.5% of the bank's total mortgage applicants were African American in 2016. Of the 2,036 mortgage loans originated by First Tennessee in 2016, only 68 (or 3.3%) went to African American borrowers. Just 28 of the loans originated went to Hispanic borrowers. In Tennessee, where First Tennessee has the largest market deposit share, African Americans comprise 17% of the population.

African American and Hispanic applicants also have significantly higher rates of denial than white borrowers. In 2016, African American mortgage applicants at First Tennessee were two times more likely to be denied a loan than white applicants. Nearly 51% of all African American mortgage applicants at First Tennessee were denied a loan, compared to less than 24% of white applicants. First Tennessee denied 30.4% of Hispanic applicants in 2016.

First Tennessee has the largest deposit market share in the Memphis, TN-MS-AR MSA by a wide margin, with 33% of the deposits. In the Memphis, TN-MS-AR MSA, 46.1% of the population is African American. However, in the Memphis MSA, African Americans accounted for only 13.4% of First Tennessee's mortgage originations in 2016. The denial rate for African American mortgage applicants in Memphis was 58.1%, which is significantly more than the 25% denial rate for white mortgage applicants.

First Tennessee Denial Rates				
Location	**African American**	**Hispanic**	**White**	**Total**

North Carolina	NA	NA	8.3%	8.3%
Memphis, TN-MS-AR MSA	58.1%	57.1%*	25.3%	32.6%
Total	50.6%	30.4%	23.8%	24.3%

* *There were only 7 Hispanic applicants in the Memphis, TN-MS-AR MSA in 2016*

First Tennessee continues its pattern of disproportionately low levels of mortgage originations and high rates of denials for both African American and Hispanic applicants. Also, throughout North Carolina, First Tennessee has extremely low application rates from minority borrowers, suggesting that it is not even attempting to address the problem.

First Tennessee has low levels of qualified investments in North Carolina.

Although First Tennessee received a high satisfactory for its level of qualified investments in North Carolina, those investments were not innovative. First Tennessee's investments consist solely of donations. Over four years, First Tennessee donated $180,000 throughout North Carolina (which includes 21,000 in statewide donations). While grants and donations are essential to helping nonprofits serve the community, First Tennessee made only one significant donation of $37,000. The average size of the other donations was $2,270. Such small donations do very little to move the needle in the community.

We see no evidence of participation in either low-income tax credit projects or new markets tax credit projects in North Carolina. We recommend that First Tennessee develops a more innovative and creative community development investment portfolio in North Carolina.

The bank has not met the promises it made in its 2014 CRA plan.

Reinvestment Partners met with First Tennessee on June 7th, 2016. The meeting included representatives from Initiative Capital, the North Carolina Housing Coalition, and the National Community Reinvestment Coalition. Reinvestment Partners brought these groups together to present First Tennessee's staff with our local knowledge about the banking needs of our community.

During that meeting, the groups asked First Tennessee to stop funding payday lenders, to invest in CDFIs, and to increase lending to LMI borrowers. In the past year, we have not seen any progress in those areas.

During the June 2016 meeting, First Tennessee Bank presented its CRA plan. It included these goals:

- **30% (approximately $135MM) of overall HMDA reportable mortgage loans will be in LMI tracts and/or to LMI borrowers;**

  Result: In 2016, First Tennessee originated 87 HMDA-reportable loans in North Carolina. Of those loans, only three were made to LMI borrowers (or 3.4% of all loans). In 2015, the bank made nine mortgage loans in census tracts with median incomes of less than 80 percent of MSA median income. All nine of those loans were made for rental properties.

- **30% (approximately $495MM) of small business loans will be to small businesses located in LMI tracts;**

  In 2015, within its assessment areas in North Carolina, First Tennessee made 7 small business loans in LMI tracts, reflecting 15.5% of their small business loans by number and 22% by amount.

- **A minimum of 6% (approximately $160 million) and up to 9% (approximately $240 million) of FTB's Tier 1 capital committed to community development ("CD") loans in the First Tennessee CRA assessment areas (based on availability and suitability of opportunities);**

  In 2015, First Tennessee reported 61 CD loans totaling $104,855,000. We have no way of breaking down that amount by geography or purpose.

- **Establishment of a $50 million First Tennessee Community Development Fund, providing up to $3,000,000 a year in qualified grants targeted to community needs;**

  First Tennessee donated $50 million to create the First Tennessee Community Development Fund, which is designed to make grants. For that donation, we assume that First Tennessee avoided paying taxes on that $50 million. Foundations are required by the IRS to distribute five percent of the value of their corpus per year. By offering to provide $3 million per year, First Tennessee is exceeding the legally-mandated minimum and little more. From 2010-2013, First Tennessee donated $180,000 throughout North Carolina, with an average donation size of $2,270.

- **A minimum of 3% (approximately $80 million) and up to 6% (approximately $160 million) of FTB's Tier 1 capital committed to qualified CRA investments (based on availability and suitability of opportunities);**

  We appreciate that First Tennessee has put specific dollar figures to this promise, but would also challenge First Tennessee to be innovative and creative in its community development investments. We do not have data on the bank's progress toward this goal.

- **2% (approximately $17MM) of our supplier spend with minority-owned businesses;**

  For a bank the size of First Tennessee, which has the largest deposit market share in Tennessee and therefore can be considered a banking leader, we find this number extremely low. According to a recent report by the Greenlining Institute, nationally, 4.42 percent of all contracting dollars in 2014 went to minority business enterprises.[1] The North Carolina Institute for Minority Economic Development estimates that in North Carolina, the typical range for supplier spend with minority business enterprises is 10-20%.

  We ask that First Tennessee devotes 15 percent of its discretionary spending to minority-owned businesses. Also, First Tennessee should commit to reporting their results through an independent third-party monitoring service such as the National Minority Supplier Development Council.

- **Development of a credit program specifically designed to meet the needs of LMI borrowers and geographies;**

  As their 2016 HMDA data show, First Tennessee is not adequately meeting the needs of LMI borrowers and geographies. First Tennessee provides capital to high-cost consumer finance companies, such as World Acceptance, but we argue that the triple digit interest rates on these loans border on predatory and can be more harmful than helpful to LMI borrowers.

  First Tennessee acts as a referral partner with OnDeck Capital. We believe that this is not a satisfactory way of meeting credit needs. While OnDeck Capital will partner with smaller businesses

[1] Beavers, Danielle & Werber, Sasha. *Supplier Diversity Report: Banks Still Struggle to Contract with Diverse Businesses,* Greenlining Institute, 2016, p4.

and with mid-prime customers, their loan terms are high. According to OnDeck, the average interest for one of its short-term loans (three to twelve months) is 21.6 percent. The average rate for a longer-term loan is 40.1 percent. Lines of credit can have rates of as high as 39.9 percent. Because they also charge origination fees, the all-in rate on a term loan averages 47.9 percent[2].

- **Enhancement of existing deposit products specifically designed for LMI customers;**

  In First Tennessee's CRA plan, the bank commits to offering deposit products that meet the needs of low-income consumers. First Tennessee does not offer a second-chance checking account. We ask the bank to offer a second-chance demand deposit account that does not have overdraft or insufficient funds fees. The account would not accept outbound ACH transfers. If the account came with checks, the bank would require consumers to receive pre-authorization, wherein the account balance was debited at the time of authorization.

  First Tennessee offers three different kinds of prepaid debit cards. The Fast Funds Card is aimed at users under 18 but over age 13. The First Tennessee Travel Card is a gift card that can be used internationally. The Companion Card is a traditional general-purpose reloadable prepaid card designed for use by all individuals.

  We secret-shopped the Companion Card. We learned several things:

  - The card is not available in North Carolina
  - A deposit must be made to the card at the moment of registration (prior to activation). The initial deposit can be funded from an account at First Tennessee or from an external bank. However, the user must have a bank account. Deposits are made electronically. This card is not designed to meet the needs of unbanked individuals.
  - The website says that funds can be added at a "financial center," but branch personnel told us that all account functions could only occur online. The card is not offered inside First Tennessee branches. At the main Memphis office, the staff person said that it was an online-only account aimed for people who want to travel.

  Nonetheless, the Companion Card itself is a good product with a reasonable $3 monthly fee. The card is chip-enabled, comes with a mobile app on iTunes, and gives users the ability to have balance alerts sent via text message. Our opinion is that the bank is not making the card available to unbanked consumers, nor is it making an effort to market the product in branches and in certain states. We ask that the bank make their cards available in all branches and in all states. We ask that the bank allow consumers to receive a card without having to transfer funds from another bank account.

  The bank's high-to-low debit processing policy will have adverse impacts on lower-income consumers. This approach maximizes the chance that accounts experience overages. Overdraft fees are the reason most mentioned by formerly banked households as an explanation for their decision to leave the banking system. We ask that the bank change to low-to-high debit sequencing.

- **Enhancement of the marketing program to better target LMI borrowers and geographies;**

[2] https://www.ondeck.com/products/business-loans/

Given the poor lending record in North Carolina, First Tennessee does not seem to be hitting the mark.

- **Improve accessibility of products and services for LMI individuals by developing specific strategies to leverage alternative channels;**

  Given the poor lending record in North Carolina, First Tennessee does not seem to be hitting the mark.

- **Continue supporting communities through a highly active volunteer program; and**

- **Hiring five full-time Community Development Managers in major markets.**

  First Tennessee has a community development manager who operates from Winston-Salem. There are six First Tennessee branches. Five are full-service offices located in Wake and Pitt Counties. There is one limited-service facility, focused on wealth management and commercial lending, which is located in Winston-Salem. The bank simply does not have the capacity for fulfilling its community development obligations.

In summary, First Tennessee has a poor record of lending to LMI communities and borrowers, lending to minority borrowers, and meeting its community development obligations and goals in North Carolina. The expansion of First Tennessee Bank's legacy into North Carolina may hinder rather than help North Carolina's underserved communities. We ask that regulators require First Tennessee to develop a plan to improve lending to LMI geographies and borrowers, address fair housing issues that are demonstrated by extremely low levels of lending to minority borrowers, and authentically engage in community development activities.

CAPITAL BANK

Capital Bank is headquartered in North Carolina, and has its largest concentration of branches in North Carolina. Ninety-six out of the bank's 201 branches are located in North Carolina, with the remainder in Florida, Tennessee, and South Carolina. The branches in North Carolina are primarily located in the Piedmont and Western parts of the state.

Capital Bank's primary lending focus is commercial lending, but Capital Bank originated more than 1,300 mortgage loans in North Carolina in 2016. In the 2016 CRA performance evaluation, examiners placed greater weight on the distribution of small business loans than the distribution of home mortgage loans because of the bank's focus on commercial lending. Capital Bank received a Satisfactory rating.

Examiners noted that the bank's performance in lending in low- and moderate-income geographies and to LMI borrowers varied across assessment areas. The bank's performance in low-income and moderate-income census tracts for home mortgage lending was generally below the aggregate and demographic data.

Capital Bank's lending record demonstrates that it struggles to serve underserved communities and LMI and minority borrowers.

Capital Bank has an inconsistent record of lending to LMI borrowers and in LMI neighborhoods.

As of June 30, 2016, 41.2% of Capital Bank's North Carolina deposits were in Wake County, which is part of the Raleigh-Cary MSA. The 2016 lending test rating for the Raleigh-Cary MSA assessment area was Low Satisfactory. The performance evaluation notes that the geographic distribution of home mortgage loans in Raleigh reflected poor penetration throughout the assessment area. The bank did not originate any home refinance loans in low-income census tracts. Home purchase lending in the moderate-income census tracts was well below the aggregate and demographic data and the bank did not originate any home refinance loans in moderate-income census tracts.

In Raleigh, the borrower distribution of loans reflected poor distribution among retail customers of different income levels. As examiners noted:

> *The borrower distribution of loans reflects poor distribution among retail customers of different income levels. Home purchase and home refinance lending to low-income borrowers were both slightly below the aggregate data, but well below the demographic data even when families below the poverty level at 7.5 percent are considered. Home purchase lending to moderate income borrowers was significantly below the aggregate data and slightly below the demographic data. Home refinance lending to moderate-income borrowers was well below the aggregate and also below demographic information.*

The problems were not limited to Raleigh. In Asheville, examiners noted a poor distribution of loans among borrowers of different levels. "The bank did not originate any home purchase or home refinance loans to low-income borrowers. Also, home purchase and home refinance lending to moderate-income borrowers was significantly below the aggregate and demographic data."

In 2016, Capital Bank and its new subsidiary CommunityOne Bank demonstrated a better share of lending to LMI borrowers. For owner-occupied, single family residences, borrowers with incomes less than $50,000 received 23.7% of mortgage loans across Capital Bank's footprint. LMI borrowers with incomes less than 80% of the area median income received 22.2% of all mortgage loans in 2016. Capital Bank and CommunityOne Bank's levels of lending to LMI borrowers varied across MSAs. In Raleigh, just 10.4% of loans went to LMI borrowers.

2016 Capital Bank and CommunityOne Bank		
Single Family, Owner-Occupied	**Total Loans**	**Borrowers <$50K income**
Home purchase	878	228
Refinance	597	122
Combined	1,475	350

SFR, O-O, all States

All Mortgage Loans by NC MSA **2016 Capital Bank and CommunityOne Bank**			
NC MSA	**LMI Borrowers**	**Total Loans**	**Percent to LMI Borrowers**
Asheville	3	25	12.0%
Burlington	14	31	45.2%
Charlotte-Concord-Gastonia	78	396	19.7%

Durham – Chapel Hill	11	39	28.2%
Fayetteville	5	35	14.3%
Greensboro – High Point	61	193	31.6%
Greenville	-	2	0.0%
Hickory-Lenoir-Morganton	57	213	26.8%
Raleigh	11	101	10.9%
Rocky Mount	-	1	0.0%
Wilmington	-	4	0.0%
Winston-Salem	21	63	33.3%
NA/Rural	31	204	15.2%
Other		7	
Total	292	1,314	22.2%

Capital Bank has a poor record of lending to African American and Hispanic borrowers.

In 2016, Capital Bank and its subsidiary CommunityOne Bank made a small percentage of their loans to minority borrowers. In the bank's two biggest markets, North Carolina and Florida, African Americans comprise 22.2% and 16.8% of the population respectively. Hispanics comprise 9.2% of North Carolina's population and 25% of Florida's population. Capital Bank originated a disproportionately low number of mortgage loans to African American and Hispanic borrowers.

Overall, across all states, Capital Bank originated just 2.8% of its owner occupant home purchase and refinance loans to African Americans and 5.4% of those loans to Hispanics.

2016 Capital Bank and CommunityOne Bank			
Single Family, Owner-Occupied	**African American**	**Latino**	**White**
Home purchase	34	63	713
Refinance	7	17	542
Combined	41	80	1,255

SFR, O-O, all states

In North Carolina in 2016, African Americans accounted for just 4.5% of all Capital Bank mortgage applicants despite comprising more than 22% of the population. In addition, African Americans faced denial rates that were double the denial rates for whites. Nearly 40% of African American mortgage applicants at Capital Bank were denied, whereas less than 20% of white mortgage applicants were denied. As a result, just 3.3% of all Capital Bank/CommunityOne Bank mortgage loans in North Carolina in 2016 went to African American borrowers.

In 2016, African-American and Latino borrowers received 4.02 percent of refinance loans and 11.05 percent of home purchase loans. The bank made two home purchase loans to African Americans in Raleigh.[3]

Percent of All Mortgage Loans - 2016 Capital Bank and CommunityOne Bank			
	African American	**Latino**	**White**
Percent of Applicants	4.5%	3.9%	87.1%
Denial Rates	39.6%	26.6%	19.%
Percent of Total Originations	3.3%	3.1%	88.2%

In 2016, Hispanic mortgage borrowers accounted for just 5.3% of all mortgage originations across the Capital Bank footprint. In North Carolina, Hispanic borrowers received 3.3% of Capital Bank mortgages. In Florida, which has a 25% Hispanic population, Hispanic borrowers received 13.9% of Capital Bank's mortgage originations. The denial rate for Hispanic applicants in Florida was much higher than the denial rate for non-Hispanic applicants. The denial rate for Hispanic applicants in Florida in 2016 was 16.7%, while the denial rate for non-Hispanic applicants was 10.6%.

Although Capital Bank provides an adequate amount of community development investments, the investments are not innovative or creative.

We recognize that Capital Bank is a leader in providing SBA 504 investments, which are not provided by many financial institution investors and we commend them for that. However, the other investments made by Capital Bank are not innovative or complex, nor do they demonstrate a commitment to community development. Capital Bank's qualified investments are comprised primarily of MBS purchases, which are not creative or innovative. During the six-year CRA evaluation period, Capital Bank invested $55 million in MBS out of a total of $75 million in new investments.

Capital Bank provided 78 qualifying community development grants for $168,430 over the evaluation period, which was from July 2010 through 2015, so nearly 6 years. Over the evaluation period, the annualized level of donations was $30,624 across the footprint, which is extremely low for a bank with more than $10 billion in assets.

Conclusion

Banks make the most difference in their communities when their work creates opportunity. With greater size comes greater expectations. But, the banks must be committed to building capacity to serve all of their communities and to create that opportunity through focused strategy, quality products, and creative and innovative thinking. Those banks that do the best at serving the community deploy adequate resources to the task.

[3] Loans to owner-occupant applicants seeking to purchase single-family properties.

To date, First Tennessee Bank and Capital Bank, have not demonstrated that commitment to serving all of their communities. As a result, we do not believe that this merger will benefit those underserved communities that most need access to capital and opportunity. Therefore, we oppose this merger.

We welcome the opportunity to continue the discussion with the hope that, in the end, underserved communities will have increased access to capital and opportunity.

Sincerely,

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