SunTrust/BB&T: Community groups reviewing merger
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[UPDATED: Subsequent to publication this Opp has been updated with comments from BB&T and SunTrust.]

Two community advocacy groups are in early discussions about the potential impact of BB&T [NYSE:BBT] and SunTrust Banks’ [NYSE:STI] proposed merger and plan to engage with the banks, leaders of the two groups said.

This week Winston-Salem, North Carolina-based BB&T and Atlanta, Georgia-based SunTrust announced the largest bank merger since the financial crisis in an all-stock deal that would create the sixth largest US bank based on assets and deposits.

The banks expect to rationalize their branch networks across the Southeast and Mid-Atlantic as part of the deal, which is expected to close in 4Q19. BB&T CEO Kelly King said the combined institutions will have more resources to invest in technology to better serve customers.

Peter Skillern, executive director of the Reinvestment Partners, a Durham, North Carolina-based community reinvestment organization, said that his group plans to comment to federal bank regulators about the potential effects of the deal. Skillern said it was too early to say whether that comment would be in support or in opposition. He plans to begin discussions with both banks about Reinvestment Partners’ concerns.

“We hope that these regional banks — as they go to a national bank — don’t forget their hometown roots,” Skillern said, noting that historically BB&T had done a “great job” lending to small businesses and encouraging community development, but he worried that the combined bank could lose its capacity and commitment to investing in those programs.

SunTrust has received a “Satisfactory” Community Reinvestment Act rating from the Federal Reserve Bank of Atlanta, according to its website. On 19 June, BB&T stated that it had received an “Outstanding” CRA rating from the FDIC. CRA ratings are based on how well banks serve the credit needs of communities.

Members of the public can submit comments to federal regulators regarding proposed bank merges and regulators...
typically acknowledge the responses as part of the review process. Comments from community groups typically focus on institutions' compliance with the CRA, which requires banks to lend to low-to-moderate income neighborhoods.

Jesse Van Tol, the chief executive officer of the National Community Reinvestment Coalition (NCRC), an umbrella organization for community groups across the US, said groups are in dialogue about the banks' future commitments and are taking a wait-and-see approach to the merger.

The NCRC will be working with both banks to ensure that low and moderate income communities are served better as a result of this acquisition, Tol said.

Speaking generally, Tol said that the national group looks to ensure that banks are specific in how they commit to serving underserved areas during a merger reviews. He said the NCRC sees commenting to federal regulators as a potential course of action, but declined to provide additional details on the organization's timeline for making a decision.

"It’s my hope that they’ll make clear that this merger will benefit low-income people and be specific about that," Tol said. The NCRC’s research arm said that according to its analysis the merger will trigger the anti-competitive threshold in four cities: Atlanta, Richmond, Durham and Winston-Salem.

King told investors on Thursday that from his perspective "there's nothing that I can see that will stand in the way of this combination. We have outstanding CRA ratings, best-in-class in terms of compliance ratings. We both have excellent relationships with our regulators."

BB&T and SunTrust have said they plan to divest USD 1.35bn in deposits to address potential antitrust concerns.

A BB&T spokesperson told this news service: "We're confident the BB&T/SunTrust combination will be positive for consumers and communities. Both companies have strong existing relationships with regional and national community partners. We have a proven, deliberate and thoughtful process and we're proactively reaching out to our partners to begin those conversations. This merger of equals will allow us to leverage our combined strength and resources to have an even greater positive impact on our communities."

SunTrust said in a statement: "As our record demonstrates, we have a proven commitment to serving the financial needs of low- and moderate-income clients and communities."

by Kevin McCaffrey

Grade: Confirmed