

December 23 2016

[REDACTED]
Vice President
Large Bank Supervision Group
Federal Reserve Bank of Atlanta
1000 Peachtree St. NE
Atlanta, GA 30309-4470

RE: **Comment Letter for SunTrust Bank's Community Reinvestment Act
Performance Evaluation Scheduled for the Fourth Quarter of 2016**

Dear Vice President [REDACTED]

I am submitting this timely comment letter to SunTrust Bank's Community Reinvestment Act (CRA) public file for consideration on SunTrust Bank's CRA performance evaluation scheduled for the fourth quarter of 2016. We have concerns regarding the lending performance of SunTrust Bank (SunTrust) in the Chattanooga MSA, as well as concerns about recent settlements that SunTrust has entered into. We believe that the best way for SunTrust to address these concerns is to work with Chattanooga Organized for Action (COA) to develop a community benefits plan for Chattanooga. We look forward to working with SunTrust on a reasonable plan that will benefit both SunTrust and Chattanooga.

Chattanooga Organized for Action is a local community-organizing nonprofit founded in 2010 to help grassroots organizations and individuals build power for equity and social justice. We have been especially active in support of affordable housing policy changes in the area. In the fall of 2015, we began working with the National Community Reinvestment Coalition to investigate the local lending environment. The subsequent report, "Whose Reinvestment? The Failures of Equitable Home Lending in Chattanooga," was published in October of this year. The report surveyed every bank with over 1% market share in the Chattanooga area, and evaluated HMDA data on home loans between 2011-2014.

Lending Performance

We have analyzed SunTrust Bank's home purchase and small business lending in the Chattanooga MSA. We are concerned with SunTrust's higher denial rates to underserved borrowers and neighborhoods. Specifically, we found that

- SunTrust only originated 17 home purchase loans to African Americans in the Chattanooga MSA from 2013 to 2015, accounting for just 4.1% of their originations. This is concerning considering that African Americans make up 17.2% of the Chattanooga MSA.

- We also found that 38.5% of applications to SunTrust from Latinos were denied in the Chattanooga MSA from 2013 to 2015. The overall denial rate for Latino applicants in the Chattanooga MSA from 2013 to 2015 was just 14.1%, meaning that Latino applicants were denied at a rate 24.4 percentage points (PP) higher.¹
- Asian applicants were denied 17.3 PP more, people of color as a whole were denied 11.3 PP more, and applicants for home purchases in census tracts that are majority people of color were denied 11.8 PP more.

We request that the Federal Reserve look into these findings as part of the “Fair Lending or Other Illegal Credit Practices Review”.

We have also found that in 2015 SunTrust trailed all non-credit card lenders in lending to Chattanooga businesses located in low- and moderate-income (LMI) census tracts by 5.7 PP. Typically gaps in lending to certain groups and businesses are the result of a lack of products that meet particular credit needs, policies that disparately impact certain groups, gaps in marketing, or a lack of partnerships. We believe that working with COA and allied organizations can improve SunTrust’s lending to underserved groups, neighborhoods, and businesses.

Settlement Issues

We believe that it is an ideal time for SunTrust to explore ways to improve upon its CRA performance. Since SunTrust’s last CRA exam in 2013, SunTrust has settled with the Consumer Financial Protection Bureau (CFPB), the Department of Justice, the Department of Housing and Urban Development, and attorneys general in 49 states and the District of Columbia for mortgage servicing misconduct.² Looking at Regions Bank, this could result in a ratings downgrade from “Satisfactory” to “Needs to Improve” for SunTrust. Regions Bank, who is also regulated by the Federal Reserve, received a “Needs to Improve” rating on their 2014 CRA exam as a result of a CFPB enforcement action.³ Regions Bank received “High Satisfactory” ratings on all three component tests and was on track to receive an overall “Satisfactory” rating, and still received a “Needs to Improve” as a result of this CFPB enforcement action during their CRA evaluation period. COA believes that a plan that details how SunTrust intends to improve upon their CRA performance in the Chattanooga MSA would assist SunTrust with bolstering their overall CRA performance since the Chattanooga MSA is a significant market for SunTrust, accounting for 1% of SunTrust’s total deposits as of June 30, 2016.⁴

¹ See Appendix.

² “CFPB, Federal Partners, and State Attorneys General File Order Requiring SunTrust to Provide \$540 Million In Relief to Homeowners for Servicing Wrongs.” June 17 2014. Press release available on the CFPB’s website at <http://www.consumerfinance.gov/about-us/newsroom/cfpb-federal-partners-and-state-attorneys-general-file-order-requiring-suntrust-to-provide-540-million-in-relief-to-homeowners-for-servicing-wrongs/>.

³ Regions Bank 2014 CRA Performance Evaluation. Federal Reserve Bank of Atlanta. Page 23.

⁴ Deposit information taken from the FDIC’s website. Available online at <https://www5.fdic.gov/sod/sodInstBranchRpt.asp?rCert=867&rYear=2016&barItem=1>.

Community Benefits Plan

There are other benefits for SunTrust in coming up with a plan besides CRA scores, including the way customers perceive the bank. The National Community Reinvestment Coalition recently negotiated a community benefits plan with KeyBank related to their merger with First Niagara. A recent industry survey found that KeyBank's reputation increased by nine points, the largest of any bank, and credited KeyBank's corporate responsibility initiatives, such as the plan, as a determining factor in this increase.⁵

We are eager to meet with SunTrust order to develop a pro-active plan to address the issues we have identified. Our commitment and presence in Chattanooga is strong and we are uniquely poised to assist SunTrust with improving its performance.

Thank you for the opportunity to comment on SunTrust's CRA exam. If you have any questions about this comment, feel free to contact [REDACTED] at [REDACTED]
[REDACTED]

Sincerely,

Chattanooga Organized for Action, Inc.
1918 Union Ave.
Chattanooga, TN 37404
info@chattaction.org
www.chattaction.org

CC

[REDACTED]
Chairman and Chief Executive Officer
SunTrust Bank
303 Peachtree Street, Northeast
Atlanta, GA 30308

⁵ "Big Banks Improve, Regionals Stuck in Neutral: 2016 Reputation Survey." American Banker. June 27, 2016. Available online at <http://www.americanbanker.com/news/national-regional/big-banks-improve-regionals-stuck-in-neutral-2016-reputation-survey-1081684-1.html>.

Appendix

SunTrust 2013 - 2015 Home Purchase Lending in Chattanooga MSA

Loan Numbers: Target Lender												
Chattanooga MSA												
SunTrust Bank												
Applicant Characteristic		Population	Applications		Originations		Approval Rate	Denial Rate	Disparity Ratio Loans/Population	Disparity Index Denial Rates	Volume of Loans (\$)	Percent of Total Loan Volume
			Number	%	Number	%						
Race/Ethnicity	White	304,613	516	85.0%	359	87.3%	59.6%	9.5%	116.3%	1.00	78,496,000	37.7%
	Black	69,732	29	4.6%	17	4.1%	59.6%	24.1%	24.1%	2.93	2,830,000	1.9%
	Hispanic/Latino	17,322	11	2.1%	7	1.1%	53.5%	18.5%	39.9%	4.15	1,011,000	1.1%
	Asian	7,420	16	2.6%	7	1.1%	43.9%	31.3%	93.1%	3.56	1,315,000	2.6%
	Minority	100,966	61	10.0%	33	8.0%	54.1%	27.9%	32.3%	3.00	6,217,000	6.9%
Income	LMI Applicant		165	27.2%	105	25.8%	64.2%	18.2%		2.11	11,148,000	12.5%
	MUI Applicant		442	72.8%	305	74.2%	69.0%	8.6%		1.00	78,581,000	87.5%
Tract	Applicant in LMI Tract	99,446	58	9.6%	39	9.5%	67.2%	27.2%	58.7%	1.63	9,950,000	11.1%
	Applicant in MUI Tract	306,183	549	90.4%	372	90.6%	67.8%	10.6%	119.6%	1.00	84,991,000	94.9%
	Applicant in Minority Tract	66,363	42	6.9%	30	7.3%	71.4%	26.2%	44.6%	2.48	4,538,000	5.1%
Total		405,579	607		411		67.7%	13.1%	100.0%	100.0%	89,529,000	100.0%

SunTrust 2013 - 2015 Home Purchase Lending in Chattanooga MSA Compared to All Other Lenders

Loan Numbers: All MSA and Target Lender																	
Chattanooga MSA																	
SunTrust Bank																	
Applicant Characteristic		Population	Originations			Approved Rate			Denial Rate			Disparity Ratio - Loans/Pop.			Disparity Index - Denial Rates		
			All Lenders	SunTrust Bank	Percentage Point Difference	All Lenders	SunTrust Bank	Percentage Point Difference	All Lenders	SunTrust Bank	Percentage Point Difference	All Lenders	SunTrust Bank	Percentage Point Difference	All Lenders	SunTrust Bank	Percentage Point Difference
Race/Ethnicity	White	75.1%	85.1%	87.3%	2.2%	75.1%	49.5%	59.6%	9.3%	8.1%	0.0%	113.14%	116.35%	3.21%	1.00	1.00	0.00
	Black	17.2%	5.1%	4.1%	-1.0%	64.1%	56.8%	-7.3%	19.5%	24.1%	4.6%	19.82%	24.05%	-4.23%	2.12	2.56	0.44
	Hispanic/Latino	4.3%	2.3%	1.1%	-0.8%	69.5%	53.8%	-15.7%	14.1%	58.5%	24.0%	52.91%	39.92%	-12.99%	1.52	4.28	2.76
	Asian	1.8%	1.3%	1.3%	0.0%	49.3%	43.3%	-6.0%	14.0%	31.3%	17.3%	92.73%	93.10%	0.37%	1.31	3.36	2.05
	Minority	24.9%	9.8%	8.0%	-1.8%	65.9%	54.1%	-11.8%	16.3%	27.9%	11.6%	19.53%	32.15%	-12.62%	1.78	3.00	1.22
Income	LMI Applicant		29.8%	25.8%	-4.0%	70.4%	64.2%	-6.2%	14.3%	18.2%	-3.9%				1.16	2.12	0.96
	MUI Applicant		70.1%	74.2%	4.1%	75.7%	89.0%	13.3%	8.5%	8.6%	0.1%				1.00	1.00	0.00
Tract	Applicant in LMI Tract	25%	10.0%	9.5%	-0.5%	70.1%	67.2%	-2.9%	13.5%	27.2%	-13.7%	40.79%	58.70%	-17.91%	1.53	1.63	0.10
	Applicant in MUI Tract	75%	90.0%	90.5%	0.5%	74.5%	67.8%	-6.7%	10.1%	10.6%	-0.4%	119.13%	119.51%	-0.38%	1.00	1.00	0.00
	Applicant in Minority Tract	16%	6.2%	7.3%	1.0%	69.7%	71.4%	1.7%	14.4%	26.2%	-11.8%	58.72%	44.61%	-14.11%	1.42	2.48	1.06

Notes on Home Lending Analysis

- Lending information refers to all owner occupied, 1-4 family dwelling, home purchase loans secured by a first lien originated by either SunTrust Bank or SunTrust Mortgage Company from 2013 to 2015 in the Chattanooga MSA compared to the originations of all owner occupied, 1-4 family dwelling, home purchase loans secured by a first lien originated by all other lenders in the Chattanooga MSA from 2013 to 2015.
- The Chattanooga MSA is defined as Hamilton County TN and Catoosa County GA.
- "Hispanic/Latino" refers to families/borrowers that identify as Hispanic or Latino
- "Minority" includes Black or African Americans, Asians, and Hispanics as well as Native Americans, other racial groups and bi-racial families/borrowers. The only population not included in this label would be "Non-Hispanic White."
- "Minority Tract" refers to 50% or greater minority population

- "LMI Applicant" refers to low- and moderate-income, and low is < 50% MSA/MD median income, and moderate is 50-79.99% MSA/MD median income.
- "LMI Tract" refers to low- and moderate-income census tract, and low is < 50% MSA/MD median income, and moderate is 50-79.99% MSA/MD median income.

SunTrust 2015 Small Business Lending in Chattanooga MSA Compared to All Other Non-Credit Card Small Business Lenders

Summary of Small Business Lending - SunTrust					
Chattanooga MSA					
	SunTrust		Peer Group		Percentage Point Differences
	Count of Loans	Percent	Count of Loans	Percent	
LMI Census Tracts	171	27.63%	869	33.38%	-5.73%
Businesses <\$1 mil in Revenue	376	60.74%	1,437	55.16%	5.58%
Total	619	100.00%	2,605	100.00%	0.00%

Notes on Small Business Lending Analysis

- Lending information refers to all 2015 CRA reportable small business loans originated by SunTrust in 2015 in the Chattanooga MSA compared to all CRA reportable small business loans originated by non-credit card small business lenders in the Chattanooga MSA. We identified credit card lenders as those whose average loan amount is \$10,000 or less and we excluded those since their lending patterns are quite different than non-credit card lenders.
- "LMI Tract" refers to low- and moderate-income census tract, and low is < 50% MSA/MD median income, and moderate is 50-79.99% MSA/MD median income.
- All small business lending information from CRA Wiz.



REDACTED
Senior Vice President
Enterprise Fair Banking Officer

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REDACTED@suntrust.com

March 31, 2017

REDACTED
Chattanooga Organized for Actions, Inc
1918 Union Ave.
Chattanooga, TN 37404

Dear REDACTED:

Thank you for the letter and inquiry on SunTrust's community commitment. It is our intention to address your concerns based on your availability. In the communication to SunTrust you assert concerns with SunTrust's lending performance in the Chattanooga MSA, specifically with respect to home purchase and small business lending. Additionally, you raised concerns with recent settlement agreements SunTrust has entered into.

SunTrust Bank is headquartered in Atlanta, Georgia and has a strong commitment to serving all areas of its community including low- to moderate- income neighborhoods. SunTrust Bank has received from its most recent Community Reinvestment Act examination (March 11, 2013) a Satisfactory rating.

In 2013, SunTrust made a direct commitment to be a purpose driven institution whose purpose is to "Light the Way" to financial well-being for consumers, businesses and communities. The bank continues to offer solutions that meet the needs of all its communities.

Over the 2013-2015 period cited in your comment letter, SunTrust made 16 Community Development loans within the Chattanooga MSA totaling \$80.8 million. The community development loans promoted economic development, created/maintained affordable housing, revitalized/stabilized communities and advanced community services. In addition, SunTrust donated a total of \$590,000 to 26 organizations in support of financial education, community and crisis services, homelessness, education, workforce development, promoting home ownership, improving the affordable rental housing stock and medical services. Those organizations included as follows:

- United Way
- 100 Black Men of Chattanooga
- Urban League of Greater Chattanooga

March 31, 2017

- East Chattanooga Improvement Center (ECI)

We wish to respond to the Federal Reserve Bank's inquiry regarding Chattanooga Organized for Actions, Inc's claim that SunTrust has not been responsive to the needs of minorities in the Chattanooga MSA. It is the Bank's intention to address any concerns from community based organizations.

We are happy to arrange a meeting with SunTrust leaders in either your location or ours, at your choosing. Potential dates for a meeting in Chattanooga would be April 24-28 or May 8-11.

If you have additional questions or concerns please feel free to email or call me.

Sincerely,



REDACTED
Senior Vice President
Enterprise Fair Banking Officer

cc: REDACTED, Senior Vice President
Enterprise Community Development Manager

REDACTED, Senior Vice President
Enterprise Corporate Compliance Manager