

FEDERAL RESERVE SYSTEM

Simmons Bank
Pine Bluff, Arkansas

Order Approving the Establishment of a Branch

Simmons Bank, a state member bank subsidiary of Simmons First National Corporation (“Simmons Corporation”), both of Pine Bluff, Arkansas, has requested the Board’s approval under section 9 of the Federal Reserve Act (“FRA”)¹ and the Board’s Regulation H² to establish a branch at 8319 Preston Road, Dallas, Texas.³

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board’s Rules of Procedure.⁴ The time for submitting comments has expired, and the Board has considered the proposal and the comment received in light of the factors specified in the FRA.

Simmons Corporation, with total assets of \$21.4 billion, is the 93rd largest depository organization in the United States, controlling approximately \$16.2 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured

¹ 12 U.S.C. § 321.

² 12 CFR part 208.

³ Under section 9 of the FRA, state member banks may establish and operate branches on the same terms and conditions as are applicable to the establishment of branches by national banks. See 12 U.S.C. § 321. A national bank may establish and operate a de novo branch within a state in which the bank is situated, if such establishment and operation is authorized under applicable state law. See 12 U.S.C. § 36(c)(2). Simmons Bank has branches in Texas and is permitted to establish additional branches under the laws of Texas. See Tex. Fin. Code Ann. § 203.006.

⁴ 12 CFR 262.3(b).

depository institutions in the United States.⁵ Simmons Bank operates in seven states through numerous branches, and the bank's main office is in Pine Bluff, Arkansas.⁶

Under section 208.6 of the Board's Regulation H,⁷ which implements section 9 of the FRA, the factors that the Board must consider in acting on a branch application include (1) the financial history and condition of the applying bank and the general character of its management; (2) the adequacy of the bank's capital and the bank's future earnings prospects; (3) the convenience and needs of the community to be served by the branch; (4) in the case of branches with deposit-taking capability, the bank's performance under the Community Reinvestment Act ("CRA");⁸ and (5) whether the bank's investment in bank premises in establishing the branch satisfies certain criteria.⁹ The Board has considered the branch application in light of these factors and the public comment received on the proposal.

Financial, Managerial, and Other Supervisory Considerations

In considering the financial history and condition, earnings prospects, and capital adequacy of Simmons Bank, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, information provided by Simmons Bank, and the comment received on the proposal. Simmons Bank is well capitalized and would remain so upon consummation of the proposal. The asset quality, earnings, and liquidity of Simmons Bank are consistent with approval, and

⁵ Total assets, national asset ranking, and national deposit data are as of September 30, 2020, and state deposit data are as of June 30, 2020, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

⁶ In Texas, Simmons Bank is the 48th largest depository organization, controlling approximately \$2.1 billion in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.

⁷ 12 CFR 208.6(b).

⁸ 12 U.S.C. § 2901 et seq.

⁹ 12 CFR 208.21(a).

Simmons Bank appears to have adequate resources to absorb the costs of the proposal. In addition, future earnings prospects are considered consistent with approval. The Board also has reviewed Simmons Bank's proposed investment in the branch and concludes that the bank's investment is consistent with regulatory limitations on investment in bank premises.¹⁰

In considering Simmons Bank's managerial resources, the Board has reviewed the bank's examination record, including assessments of its management, risk-management systems, and operations. The Board also has considered its supervisory experiences with Simmons Bank and the bank's record of compliance with applicable banking, consumer protection, and anti-money-laundering laws. Simmons Bank is considered to be well managed. Simmons Bank's directors and senior executive officers have substantial knowledge of and experience in the banking and financial services sectors, and the bank's risk-management program appears consistent with approval.

Based on this review and all the facts of record, the Board determines that Simmons Bank's management, financial history and condition, capital adequacy, compliance with applicable banking and consumer protection laws, and future earnings prospects, as well as the effectiveness of Simmons Bank in combatting money-laundering activities, are consistent with approval of the proposal.

Convenience and Needs Considerations

In considering the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institution is helping to meet the credit needs of these communities, as well as other potential effects of the proposal on the convenience and needs of the communities to be served.¹¹ In its evaluation, the Board places particular emphasis on the record of the relevant depository institution under the CRA. The CRA requires the federal financial supervisory agencies

¹⁰ 12 CFR 208.21(a).

¹¹ 12 CFR 208.6(b)(3).

to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions' safe and sound operation,¹² and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank branching proposals.¹³

In addition, the Board considers the bank's overall compliance record, including with respect to fair lending. Fair lending laws require all lending institutions to provide loan applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the institution's business model, marketing and outreach plans, and plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Simmons Bank, the fair lending and compliance records of the bank, confidential supervisory information, information provided by Simmons Bank, and the public comment received on the proposal.

Public Comment on the Proposal

One commenter objected to the proposal, alleging that, based on data reported in 2018 and 2019 by Simmons Bank under the Home Mortgage Disclosure Act of 1975 ("HMDA"),¹⁴ in the Dallas, Texas, assessment area ("AA"), the bank made a low percentage of home loans to minorities, particularly to African Americans. The commenter also asserted, based on this data, that the bank's lending was low in LMI

¹² 12 U.S.C. § 2901(b).

¹³ 12 U.S.C. § 2903.

¹⁴ 12 U.S.C. § 2801 et seq.

areas in the Dallas AA in comparison to middle- and upper-income areas in the Dallas AA. The commenter further alleges that, compared to other non-credit-card small business lenders in the Dallas AA, Simmons Bank made fewer small business loans to businesses with under \$1 million in annual revenue. The commenter contends that the Southern Dallas area lacks adequate banking services and calls on Simmons Bank to locate the branch in Southern Dallas and, more broadly, to take steps to address inequality in Dallas.¹⁵

Business of the Applicant and Response to Comment

Simmons Bank offers an array of commercial and consumer loan and deposit products through its network of branches. The products and services include commercial, residential, agricultural, and consumer loans; personal checking and savings accounts; business checking and savings accounts; money market accounts; liquidity management products and services; credit cards; correspondent banking services; online banking; and treasury and wealth management services.

In responding to the commenter, Simmons Bank refers to its satisfactory CRA examination record. Simmons Bank notes that it did not enter the Dallas, Texas, market until 2018, when it acquired another institution in the market. The bank further notes that its deposit share in the Dallas market was only 0.11 percent as of June 30, 2020. Simmons Bank states that it is committed to expanding its footprint in the Dallas market and that the bank is working toward establishing a branch in an LMI census tract in the southern portion of the City of Dallas. Simmons Bank asserts that, since entering the Dallas AA, it has introduced a product suite that is designed to meet the needs of LMI individuals and communities in the Dallas AA and includes mortgage, home improvement, and low-cost checking account products. Additionally, the bank asserts

¹⁵ The comment refers to “Southern Dallas.” Simmons Bank’s response to the comment refers to “South Dallas,” as well as to the “southern portion of the City of Dallas.” Accordingly, this Order uses the terminology expressed by the commenter and Simmons Bank, respectively.

that over half of its charitable giving budget for the Dallas AA went to organizations located in South Dallas.

Record of Performance Under the CRA

In evaluating the CRA performance of the involved institution, the Board generally considers the institution's most recent CRA performance evaluation, as well as other information and supervisory views from the relevant federal supervisor, which in this case is the Federal Reserve Bank of St. Louis ("Reserve Bank").¹⁶ In addition, the Board considers information provided by the applicant and by any public commenters.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.¹⁷ An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, the Board and the other federal financial supervisors apply a lending test ("Lending Test"), investment test ("Investment Test"), and service test ("Service Test") to evaluate the performance of large insured depository institutions, such as Simmons Bank, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the HMDA,¹⁸ in addition to small business, small farm, and community development loan data collected and reported under the CRA

¹⁶ See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

¹⁷ 12 U.S.C. § 2906.

¹⁸ 12 U.S.C. § 2801 et seq.

regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA AAs; (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;¹⁹ (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.²⁰ The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs, and the Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.²¹

CRA Performance of Simmons Bank

Simmons Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the Reserve Bank, as of January 6, 2020

¹⁹ Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of \$1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

²⁰ See 12 CFR 228.22(b).

²¹ See 12 CFR 228.21 et seq.

(“Simmons Bank Evaluation”).²² The bank received a “Low Satisfactory” rating for the Lending Test and a “High Satisfactory” rating for each of the Investment Test and Service Test.²³

Examiners determined that Simmons Bank’s overall lending levels reflected good responsiveness to the credit needs of the bank’s AAs and that the bank’s geographic distribution of loans reflected adequate penetration throughout its AAs.

²² The Simmons Bank Evaluation was conducted using Large Institution CRA Examination Procedures. In general, examiners reviewed HMDA-reportable loans, small business loans, and small farm loans reported by the bank from January 1, 2017, through December 31, 2018. For the AAs the bank entered by acquisition during the review period, the review was limited to HMDA- and CRA-reportable loan activity for the year in which the acquisition took place. Accordingly, for all AAs in Texas, Oklahoma, and Colorado, as well as the Nonmetropolitan Statewide Area in Kansas, loan activity was assessed for the time period from January 1, 2018, through December 31, 2018.

In general, the evaluation period for community development lending, investments, and services was from May 1, 2017, through January 5, 2020. However, certain community development lending activities of the institutions Simmons Bank acquired during the review period also were considered by examiners – specifically, activities occurring from the earliest of the dates of the respective acquired institutions’ previous CRA performance evaluations, or May 1, 2017. In addition, community development investments made before May 1, 2017, but still outstanding as of January 5, 2020, were also considered. The evaluation period for retail branching services was from May 1, 2017, through January 5, 2020.

²³ The Simmons Bank Evaluation included a full-scope review of the following areas: Little Rock-North Little Rock, Arkansas, Combined Statistical Area (“CSA”); Arkansas Nonmetropolitan Statewide Area (“NonMSA”); Western Tennessee NonMSA; Nashville-Davidson-Murfreesboro-Franklin, Tennessee MSA; Jackson, Tennessee MSA; Missouri NonMSA; Springfield, Missouri MSA; St. Louis, Missouri-Illinois Multistate MSA; Dallas-Fort Worth-Arlington, Texas, MSA (“Dallas AA”); Oklahoma City, Oklahoma MSA; Oklahoma NonMSA; Wichita, Kansas MSA; Denver-Aurora-Lakewood, Colorado MSA; and Kansas City, Kansas-Missouri Multistate MSA. Limited-scope reviews were conducted in Simmons Bank’s remaining AAs within the following areas: Fayetteville-Springdale-Rogers, Arkansas MSA; Jonesboro-Paragould, Arkansas CSA; Fort Smith, Arkansas-Oklahoma MSA; Hot Springs, Arkansas MSA; Eastern Tennessee NonMSA; Knoxville, Tennessee MSA; Memphis, Tennessee-Mississippi-Arkansas MSA; Joplin, Missouri MSA; San Antonio-New Braunfels, Texas MSA; Austin-Round Rock-Georgetown, Texas MSA; Texas NonMSA; Tulsa-Broken Arrow-Owasso, Oklahoma MSA; and Kansas NonMSA.

Examiners found that a high percentage of Simmons Bank's loans were made within the bank's AAs. Examiners also found that the bank's distribution of HMDA reportable loans based on borrower income reflected good penetration among customers of different income levels and that the bank's distribution of small business and small farm loans by revenue size reflected good penetration among businesses and farms of different sizes. Examiners noted that the bank made a relatively high level of community development loans. Examiners also noted that the bank made use of innovative and flexible lending products in meeting the credit needs of its AAs.

In the Dallas AA, the area of concern for the commenter, examiners determined that Simmons Bank's lending levels reflected adequate responsiveness to credit needs. Examiners found that the geographic distribution of loans reflected adequate penetration throughout the Dallas AA. Examiners determined that the bank's distribution of loans to borrowers of different income levels and to businesses of different sizes reflected adequate penetration in the Dallas AA.

Examiners found that Simmons Bank's HMDA reportable loans to low-income borrowers slightly exceeded the level of lending by peer institutions in the Dallas AA in 2018. Examiners also found that the bank's distribution of HMDA loans to low-income borrowers was adequate. Examiners determined that the bank's HMDA lending to moderate-income borrowers exceeded the aggregate lending level by peer institutions in the Dallas AA in 2018, and that the bank's distribution of HMDA loans to moderate-income borrowers was good. Overall, examiners considered the bank's performance in these loan categories to be good in the Dallas AA.

In evaluating Simmons Bank's small business loans in the Dallas AA for 2018, examiners found the percentage of loans that Simmons Bank made to businesses with annual revenues of \$1 million or less slightly exceeded the percentage of loans made by peer institutions. Examiners also found that the bank's distribution of small business loans reflected adequate performance.

Examiners noted that the bank did not have any branches in southern Dallas County and that there were conspicuous lending gaps in LMI geographies in the Dallas

AA. However, examiners found that this concern was somewhat mitigated by the bank's small branch network in the Dallas AA and its recent entry into the Dallas market. Examiners noted that Simmons Bank had implemented an action plan to address its lack of lending in southern Dallas County, including targeted marketing and outreach activities. Examiners also noted the bank's plan to open a branch in the area. Examiners determined that Simmons Bank made a relatively high level of community development loans in the Dallas AA.

Examiners found that Simmons Bank made a significant level of community development investments and grants throughout its AAs and that the bank made an excellent level of qualified community development investments and grants in the Dallas AA in particular. Examiners determined that the bank's investments and grants demonstrated an adequate responsiveness to credit and community development needs throughout the bank's AAs.

Examiners rated the bank's performance in Texas under the Investment Test as "Outstanding," which examiners noted was a reflection of the bank's performance in the Dallas AA. Examiners noted that the bank's largest investments were made in several multifamily affordable housing developments in the Dallas AA and in mortgage-backed securities that finance affordable housing loans to LMI individuals in Dallas. Examiners noted that the bank had donated to various community development organizations, including homeless shelters, food banks, nonprofit organizations providing health and educational services to LMI individuals, and affordable housing organizations in the Dallas AA.

Examiners found that Simmons Bank's service delivery systems were reasonably accessible to geographies and individuals of different income levels in the bank's AAs. However, examiners also found that the bank's service delivery systems were unreasonably inaccessible to portions of the Dallas AA. Examiners noted that the bank's record of opening and closing branches during the review period had not impacted the accessibility of its banking services to LMI geographies and/or individuals in the Dallas AA. Examiners determined that the bank's hours and services did not vary in a

way that inconvenienced any portion of the bank's AAs, including LMI geographies or individuals. Examiners found that the bank provided a relatively high level of community development services throughout its AAs. Examiners also found that the bank provided an adequate level of community development services in Texas, including in the Dallas AA.

Simmons Bank's Efforts Since the Simmons Bank Evaluation

Simmons Bank represents that it has made CRA-eligible community development loans in the South Dallas area during the past year to create affordable housing and support LMI jobs. As noted above, Simmons Bank also represents that, since entering the Dallas market, it has introduced a set of products designed to meet the needs of LMI individuals and communities in the market. Specifically, Simmons Bank represents that, in late 2019 and early 2020, it led a digital marketing campaign for an affordable home improvement loan product that targeted certain zip codes with identified CRA needs, including majority-minority areas in the Dallas AA. Simmons Bank notes that it recently launched an affordable mortgage product that provides flexible credit guidelines and permissible seller contributions and does not require a down payment or private mortgage insurance. Simmons Bank states that this mortgage product is designed to benefit both low-to-moderate income borrowers and borrowers in majority-minority census tracts. Simmons Bank also states that it has launched an extensive marketing campaign, which includes targeted advertising on radio stations and in newspapers that have high levels of minority listeners or readers. Simmons Bank asserts that it has increased its engagement with community organizations in the Dallas area since the previous CRA evaluation and recently formed a working group to develop and deploy products to serve the needs of underserved communities and borrowers in Dallas.

Additional Supervisory Considerations

In addition to the Simmons Bank Evaluation, the Board has considered the most recent consumer compliance examination and fair lending record of Simmons Bank and consulted with the Reserve Bank regarding the bank's CRA, consumer compliance,

and fair lending records. The Board also has considered Simmons Bank's supervisory record with the Consumer Financial Protection Bureau.

With respect to the examiners' finding in the Simmons Bank Evaluation that Simmons Bank's service delivery systems were unreasonably inaccessible to portions of the Dallas AA, the Board has considered that this may be attributable, in part, to the bank's recent entry into the Dallas, Texas, market through an acquisition in 2018. The Board has also considered Simmons Bank's commitment to, and steps toward, establishing a branch facility in an LMI census tract in the southern portion of the city of Dallas in 2021, which may help address this concern.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. Simmons Bank represents that the proposed branch would allow the bank to better serve the needs of the Dallas community by providing banking services at an additional location. Simmons Bank further represents that it has developed and deployed a strategy to enhance its CRA performance, including a plan to establish a branch facility in an LMI census tract in southern Dallas this year.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the CRA record of Simmons Bank, the bank's records of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by Simmons Bank, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved. The Board's approval is

specifically conditioned on compliance by Simmons Bank with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on any commitments made to the Board in connection with this proposal. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

Approval of this application is also subject to the establishment of the proposed branch within one year of the date of this order, unless such period is extended by the Board or the Reserve Bank, acting under authority delegated by the Board.

By order of the Board of Governors,²⁴ effective February 8, 2021.

Michele T. Fennell (signed)

Michele T. Fennell
Deputy Associate Secretary of the Board

²⁴ Voting for this action: Chair Powell, Vice Chair Clarida, Vice Chair for Supervision Quarles, and Governors Bowman, Brainard and Waller.