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Mr. Michael T. Milchanowski
Assistant Vice President
Federal Reserve Bank of St. Louis
P.O. Box 442
St. Louis, MO 63166-0442

**Re: Response to comment regarding Application of Old National Bancorp to
combine through merger with First Midwest Bancorp, Inc.**

Dear Mr. Milchanowski:

This submission responds to the comments submitted by the National Community Reinvestment Coalition (“NCRC”)¹ regarding the application (the “Application”) of Old National Bancorp, Evansville, Indiana (“Old National”) to the Board of Governors of the Federal Reserve System (the “Board”) and the Federal Reserve Bank of St. Louis (collectively with the Board, the “Federal Reserve”) requesting approval of the merger between Old National and First Midwest Bancorp, Inc., Chicago, Illinois (“First Midwest”), with Old National as the resultant corporation, pursuant to section 3(a)(5) of the Bank Holding Company Act of 1956, as amended. As part of the transaction, First Midwest Bank, an Illinois state-chartered bank and a wholly owned subsidiary of First Midwest, will merge with Old National Bank, a national banking association and a wholly owned subsidiary of Old National, with Old National Bank as the resultant bank.

In its comments, NCRC requests that Old National Bank’s proposed merger with First Midwest Bank include a forward-looking community benefits plan and that public hearings be held on the Application. For the reasons outlined below, these requests are inappropriate, and Old National respectfully requests that the Federal Reserve reject each such request.

¹ NCRC’s comment letter was transmitted to the Federal Reserve on July 26, 2021, and the Federal Reserve staff forwarded it to us on July 29, 2021. NCRC also submitted this letter to the Office of the Comptroller of the Currency (“OCC”), however it was submitted after the OCC’s deadline for public comments.

A community benefits plan is neither required nor warranted.

NCRC requests that our proposed merger include a forward-looking community benefits plan. The Board has consistently found that neither the Community Reinvestment Act (“CRA”) nor the federal banking agencies’ CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any organization.² Further, in its evaluation of an application, the Board reviews the existing CRA performance record of an applicant and the programs that the applicant has in place to serve the credit needs of its CRA assessment areas.³

Community benefits plans are implemented in instances in which depository institutions have CRA deficiencies. That is not the case here, as Old National and First Midwest each have proven track records of meeting the needs of their communities, as detailed in the Application and evidenced in each entity’s most recent CRA evaluation. First Midwest Bank has maintained an overall CRA rating of “Outstanding” for almost 25 consecutive years. In its most recent evaluation (October 2019), Old National Bank received an overall “Satisfactory” CRA rating, with an “Outstanding” in the Investment Test, and “High Satisfactory” in both the Lending and Services Tests. Both banks have appropriate processes in place and are executing their obligations to meet the needs of their communities, and each bank’s respective primary federal bank regulator agrees as evidenced in the institutions’ CRA public evaluations. Neither Old National Bank nor First Midwest Bank have CRA deficiencies that would warrant a community benefits plan, and therefore, NCRC’s request for such should be denied.

There is no basis for public hearings.

NCRC requests that the Board hold hearings regarding this proposed merger to provide community members an opportunity to offer feedback on a strategy for improving the banks’ community reinvestment and fair lending performance. Under the Board’s regulations, any comment on an application that requests a hearing must include a statement of why a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute and summarizing the evidence that would be presented at a hearing.⁴

NCRC’s comment fails to meet this regulatory requirement. NCRC provides no statement as to why a written presentation would not suffice, it does not identify specifically any questions of fact that are in dispute, and it does not summarize the evidence that would be presented at a hearing. For these reasons and based on the facts provided in our Application and in this response, public hearings are not warranted, and this request should be denied.

The proposed merger would not harm competition in any area, including Danville, IL.

NCRC’s argument that the proposed merger would harm competition in Danville, IL is wrong and ignores well-established Federal Reserve precedent regarding the proper way to assess the competitive significance of thrifts and credit unions.

² See, e.g., Fifth Third Bancorp, FRB Order 2019-05 at 12, n. 29 (March 6, 2019).

³ Id.

⁴ 12 CFR 262.3(e).

As described in our Application, the proposed transaction does not satisfy the Board's delegation criteria based on the "initial HHI calculations" reflected in the Federal Reserve's CASSIDI™ website.⁵ But that does not mean that the proposed transaction threatens competition. As the Federal Reserve has explained, "for an application that does not meet the initial delegation screen for competition, the market shares ultimately considered by the Board in its analysis may differ from the preliminary data presented by CASSIDI™ because they will reflect adjustments made to account for the facts and circumstances of the particular case."⁶

That is exactly the situation here. Although the initial HHI calculation does not meet the initial delegation screen in Danville, IL, it is clear that the proposed merger poses no threat to competition in Danville once competition from a major thrift and competitive credit unions are properly considered. IF Bancorp, Inc. is a "commercially active" thrift whose deposits should be accorded 100% weighting under the Board's guidelines.⁷ Similarly, five of the seven credit unions are "competitive" under the Board's guidelines and should therefore be assigned a 50% weighting.⁸ The inclusion of those competitors at those risk weightings is in line with the Board's guidelines and precedent⁹ and provides an accurate portrayal of the actual impact the proposed merger will have on the market. The Proposed Transaction would result in an HHI increase of approximately 362 points, from approximately 1,219 points to approximately 1,581 points. There is no threat of reduced competition once those institutions' deposits are afforded proper weight, consistent with Board precedent.

Additionally, in its comment letter, NCRC erroneously applies a standard in the Bank Holding Company Act ("BHCA"). Under the BHCA, generally, the Federal Reserve shall not approve a merger if the combination would result in a bank owning more than 30% of the deposits in any one *state*.¹⁰ NCRC erroneously applies this threshold to an individual market (Danville), rather than to the state (Illinois). As described in the Application, the resultant bank will have a deposit market share of 2.22% in Illinois.¹¹ This percentage is clearly far below the BHCA threshold of 30% and therefore poses no competitive concern. Additionally, the resultant bank will only control 0.21% of deposits nationwide, far below the 10% nationwide threshold in the BHCA. Finally, although it is a moot point because there is no threat to competition, NCRC provides no support or logical basis for its novel proposition that the appropriate way to remedy proposed harm to competition is through a community benefits plan.

⁵ Board, *FAQs: How do the Federal Reserve and the U.S. Department of Justice, Antitrust Division, analyze the competitive effects of mergers and acquisitions under the Bank Holding Company Act, the Bank Merger Act and the Home Owners Loan Act?* FAQ # 4 (Last updated Oct. 14, 2014).

⁶ *Id.* at FAQ # 7 (Last updated Oct. 14, 2014).

⁷ *Id.* at FAQ # 17.

⁸ *Id.* at FAQ # 18. See also our response to Question #15 in the Application for a more complete discussion of the Danville, IL market and the competitors in that market, including the commercially active thrift and the competitive credit unions.

⁹ See, e.g., Huntington Bancshares Incorporated, FRB Order 2021-07 at 8-11 (May 25, 2021).

¹⁰ 12 U.S.C. § 1842(d)(2)(B) (emphasis added).

¹¹ This figure is based on the FDIC's Deposit Market Share Report as of June 30, 2020.

Old National and First Midwest employ a wide range of products, services, and investments to meet the credit needs of their communities.

NCRC cites concerns with home purchase lending performance, small business lending, flexible loan products, marketing or partnerships, and community development lending and investing by Old National Bank or First Midwest Bank, or both.

We strongly disagree with NCRC's characterization of the efforts and impact of each institution in its respective communities. Old National Bank and First Midwest Bank each are committed to supporting all the communities they respectively serve through a breadth of programs, products, and activities that meet those communities' existing and anticipated credit needs, including those of low- and moderate-income ("LMI") individuals and census tracts, and people of color. Old National Bank and First Midwest Bank actively engage with community leaders, government entities and residents to assess the needs of their communities and implement strategies to meet those needs.

Old National Bank employs Community Outreach & Financial Empowerment Officers covering five states in its footprint (Indiana, Kentucky, Michigan, Minnesota, and Wisconsin). This team engages organizations and leaders to assess community needs with a special emphasis on serving LMI populations and underrepresented groups. Once critical community needs are assessed, innovative and strategic solutions are developed in connection with Old National Bank's business partners to make a meaningful impact. This team also focuses on financial empowerment initiatives with the belief that improved financial knowledge leads to a better future for individuals, communities, and the financial industry.

First Midwest Bank maintains a broad-based community development program focused on community development loans and investments, as well as flexible products and services designed to build financial capabilities, financial literacy, capacity building and education programs. First Midwest Bank works closely with community partners to understand and be responsive to the financial needs of its communities. Most recently, First Midwest Bank is proud to have been certified to participate in the Cities for Financial Empowerment Fund's BankOn program, which provides unbanked households with access to safe and affordable banking services.

The combined bank will continue to emphasize the importance of CRA and meeting the needs of its communities through active engagement, products, services, and investments in its communities.

Old National offers and markets several home mortgage products targeting LMI and minority individuals.

Old National regularly monitors and analyzes its performance in home mortgage lending in order to remain responsive to market needs by implementing strategies to increase lending penetration to LMI areas and borrowers and racial minorities. This monitoring occurs for all 43 of Old National Bank's CRA assessment areas, and the bank continues to enhance its already effective strategies to increase its CRA performance. In fact, Old National Bank employs Community Development Mortgage Loan Officers ("CDMLOs") throughout its footprint who are committed to

understanding, partnering with, serving, and providing residential credit products to Old National's communities. In the last few years, Old National Bank has strategically increased the number of CDMLOs, resulting in a 67% increase in dedicated community lenders in Milwaukee, Ann Arbor, Grand Rapids, Indianapolis, Minneapolis, Evansville, and Louisville/Lexington.

By focusing only on Home Manager Mortgage ("HMM"), NCRC fails to consider Old National Bank's other home mortgage products that are targeted at LMI and minority borrowers. For example, Old National Bank offers Fannie Mae's "HomeReady", a product specifically designed to combat inequities in homeownership. Originations for both of these products have markedly increased since Old National Bank's last CRA evaluation – by our analysis, HMM has nearly tripled in originations and originations for "HomeReady" have increased 57%.

Additionally, NCRC omits Old National Bank's new pilot down payment assistance fund. Inspired by the profound effects of COVID-19 on LMI and minority communities and monitoring the LMI lending activity in certain markets, Old National has begun piloting a \$500,000 fund to be used for down payment assistance in association with HMM and "HomeReady" in select cities, including several of the markets highlighted by NCRC: Indianapolis, Louisville, Milwaukee, Ann Arbor and Ypsilanti, Minneapolis and St. Paul, and Grand Rapids. This down payment assistance program is designed to benefit all borrowers that obtain a loan through these primary LMI products and provides additional financial benefit to those homes purchased in majority-minority census tracts.

To be clear, Old National does not discriminate against African Americans or any other protected class. To do otherwise would be a violation of applicable law, our policies, and our ethics. Old National is committed to the fair treatment of all its customers and potential customers and to maintaining the highest standards of corporate responsibility by providing consistent, objective, unbiased treatment to all. Old National takes appropriate measures to ensure that its policies are applied consistently and continuously through all aspects of its credit operations, including product design, marketing and advertising, loan application, underwriting, pricing, collection, servicing, and loss mitigation activities. Old National maintains a robust fair lending program to ensure compliance with applicable law and policies. This program, as well as Old National Bank's lending data, is examined on at least an annual basis by the OCC, as well as reviewed by the bank's internal audit and risk functions. Further, in conducting CRA and fair lending examinations at Old National Bank, the OCC has found no evidence of discriminatory or other illegal credit practices.¹²

Additionally, Old National Bank markets its products and services to meet the credit needs of the communities in which it operates, including the credit needs of African American consumers. Old National Bank is confident that its marketing efforts are inclusive of African American customers. As an example of this, during 2020, as a result of the COVID-19 pandemic, Old National Bank instituted a primarily digital lending-based marketing approach throughout its footprint with well over half of all money spent on lending-based marketing benefiting majority-minority census tracts. During 2020, marketing efforts highlighted brand awareness and residential loans including products designed to combat inequities in homeownership such as Fannie Mae's HomeReady Mortgage.

¹² See, e.g., OCC, Old National Bank CRA Performance Evaluation (Oct. 7, 2019).

First Midwest Bank is also committed to offering home mortgage products targeting LMI and minority individuals, including through down payment assistance programs, first-time homebuyer assistance programs and government loan options. First Midwest Bank's residential lending business includes dedicated CRA officers who coordinate the bank's participation in homeownership development initiatives and help accommodate the needs of LMI and minority individuals. In support of these efforts, First Midwest Bank leverages specialized credit programs, including through the Illinois Housing Development Authority, the Indiana Housing and Community Development Authority, Fannie Mae Home Ready, Federal Housing Administration, Department of Veterans Affairs and others, which programs offer down payment assistance, relaxed entry requirements and expanded underwriting criteria.

Both institutions are responsive to the credit needs of small businesses.

Old National Bank and First Midwest Bank are fully committed and responsive to the needs of small businesses in their communities. A recent example of this commitment is the participation of each institution in the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") during the COVID-19 pandemic. Old National Bank helped nearly 16,000 small businesses secure a PPP loan totaling nearly \$2.1 billion of volume. First Midwest Bank's PPP lending activity consists of over 11,300 PPP loans totaling approximately \$1.8 billion of volume and impacting the lives of more than 150,000 small business employees and their families. Importantly, Old National Bank provided \$610 million and First Midwest Bank provided \$334 million in PPP loans to businesses located in LMI areas.

Even beyond PPP, small businesses and underrepresented businesses are at the center of each organization's lending strategies, and this approach will continue to be true for the resultant bank.

For example, in 2020, Old National Bank expanded the size and scope of its SBA lending team. As a result, the bank originated \$71 million in total SBA 7(a) loans, up from \$37.5 million in 2019. Additionally, Old National Bank was the second largest SBA 7(a) lender in the state of Minnesota in 2020.

First Midwest Bank offers a variety of products and services to help small businesses grow and prosper, including checking accounts, small business loans and treasury management solutions. In 2020, First Midwest Bank provided \$275 million of small business loans and over \$550 million of small business checking and savings accounts. Small business loans are offered through First Midwest Bank's consumer line of business throughout the bank's assessment area. First Midwest Bank also leverages specialized credit terms, such as the SBA Express program, which provides for flexible underwriting terms enabling further accommodation of client needs beyond conventional credit standards, and the Federal Home Loan Bank of Chicago's Small Business Advance Program, which provides more affordable lending options for business needs in LMI areas.

First Midwest Bank also provides funding and other support to organizations dedicated to strengthening and developing small businesses, including supporting micro loan programs, scholarships for LMI participants in small business academies, small business entrepreneur training programs and workshops to assist regional small business sustainability and expansion. A

recent example of these activities is First Midwest Bank's partnership with the Federal Home Loan Bank of Chicago to provide financial relief to minority-owned businesses in underserved communities impacted by the COVID-19 pandemic through a matching grant fund, including through the Englewood Chamber of Commerce, the Little Village Chamber of Commerce, the Wisconsin Women's Business Initiative Corporation and the Black Chamber of Commerce of Lake County (IN). First Midwest Bank also has a longstanding partnership with the Hammond Development Corporation, which promotes small business development for women and minority owned businesses in Hammond, Indiana and throughout Lake County.

In the most recent First Midwest Bank CRA Performance Evaluation by the Federal Reserve, dated as of September 30, 2019 (the "First Midwest Bank 2019 CRA Evaluation"), the Federal Reserve reported that First Midwest Bank exhibited an outstanding record regarding its lending activities "based on its performance across the combined assessment area." Specifically, the Federal Reserve reported that First Midwest Bank "was especially strong in its small business lending" with a substantial majority of First Midwest Bank's small business loans – 91.5% by number volume and 92.0% by dollar volume in 2017, and 91.4% by number volume and 91.8% by dollar volume in 2018 – located inside the assessment area during the review period.

In the First Midwest Bank 2019 CRA Evaluation, the Federal Reserve reported that "[i]n addition to investments within its combined assessment areas, the bank had investments of \$11.8 million dollars, primarily to the Illinois Facilities Fund, as well as the U.S. Small Business Administration Debenture, which were responsive to the small business and local community organization needs located in the broader regional area." The Federal Reserve reported in the First Midwest Bank 2019 CRA Evaluation that examiners did not identify any "evidence of discriminatory or other illegal credit practices."

Old National Bank and First Midwest Bank have strong records of community development activity.

Old National Bank and First Midwest Bank have strong records in community development activities as detailed in the Application.

Old National Bank has a history of significantly improving the community development activity in the communities it serves. For example, after Old National Bank entered the Minnesota market in 2018 and following the merger with KleinBank, its community development lending increased more than 10 times and community development investing increased more than 19 times in the former KleinBank assessment areas when compared to KleinBank's prior CRA performance evaluation community development activity. Improvement across Old National Bank's footprint continues, as community development lending has increased 18% and community development investing has increased 47% since the bank's last CRA evaluation in 2019.

Old National Bank's Community Equity team specializes in community development lending and investment opportunities, including innovative tax credit financing solutions for historic, new markets, and low-income housing and state tax credit transactions. By providing tax credit equity investments and construction loans, Old National Bank is able to support the construction of affordable housing and other impactful community development projects. Old National Bank

remains committed to this work and its focus on continued investments in low-income and distressed communities.

In addition, Old National Bank continues to prioritize community development investments through Old National Bank Foundation grants (93% of 2020 grants supported CRA-eligible initiatives), sponsorships, donations and targeted investments in Community Development Financial Institutions (“CDFIs”) that support small business development, job creation, affordable housing, neighborhood revitalization and other services that benefit low- and moderate-income individuals and communities.

Throughout its footprint, Old National Bank builds and maintains impactful community partnerships and initiatives to strengthen the communities in which it operates and helps individuals, families, and small businesses reach their financial goals. For example, in Indiana, Old National Bank maintains a statewide partnership with Bankable, a community development financial institution, and Mid-States Minority Supplier Development Council, to provide access to capital, business development support and technical assistance to minority business enterprises in the state. The bank’s Mid-North Promise Program, developed in partnership with the Children’s Museum of Indianapolis, connects families in majority-minority areas to community partners that support college and career readiness, health and wellness, homeownership and similar initiatives. In Ann Arbor, Old National Bank is engaged in partnerships to increase homeownership in majority minority census tracts as well as for LMI individuals and families, including the provision of grants and sponsorships to the Habitat for Humanity of Huron Valley. These are only a few of many partnerships and initiatives that Old National Bank is engaged in throughout its communities.

First Midwest Bank is likewise committed to community development activities, including both community development credit and community development investment. First Midwest Bank’s community development activities are directed at supporting community needs, such as affordable housing, access to affordable medical services, economic revitalization, social services and other vital development needs across the bank’s assessment areas, including for LMI and minority communities. Like Old National Bank, First Midwest Bank maintains close relationships with a variety of regional CDFIs to target capital investment through the bank’s markets.

Old National and First Midwest’s intent and goal is that the resultant bank will further enhance the already robust community development activity of both banks. The combined bank will utilize the historical expertise of each institution, including First Midwest Bank’s and Old National Bank’s expertise in making loans to the healthcare sector. Each institution’s commitment to community development services, including community volunteering services, will continue to be an integral part of the combined bank’s strategy to serve its communities. The combined bank will build upon each institution’s community development investment activities, including in the markets highlighted by NCRC.

The proposed merger will better serve the institutions’ communities.

As detailed in the Application and in this response, the proposed merger will benefit both institutions’ communities. The proposed merger will enable the combined bank to provide enhanced consumer and commercial banking services, products in a more efficient manner, and a

larger branch and ATM network for customer use. These benefits of the proposed merger and others have already been recognized by a number of community organizations, with eight local community organizations having filed letters in support of the proposed merger with either the Federal Reserve, the OCC or both.

To be clear, each bank recognizes that the combined bank must continue the existing commitment of both Old National Bank and First Midwest Bank to meet the needs of their respective communities. Old National and First Midwest are open and willing to meet with community groups to better assess how they can better meet the needs of their communities, and the combined bank will continue that approach.

In fact, after the proposed merger was announced, NCRC reached out to Old National to express its views of the transaction. Old National staff met by phone with NCRC twice, including a call involving Old National Bank's CEO and NCRC's CEO. We welcome further direct dialogue with NCRC. Old National, First Midwest, and after the proposed merger, the combined organization, will continue to engage with organizations in the communities they serve in order to assess and determine how best to serve the credit needs of those communities.

In summary, we respectfully request that the Federal Reserve deny NCRC's requests. Old National and First Midwest have a strong commitment to meeting the credit needs of their communities, including LMI and minority community members. As noted above, each institution maintains strong CRA ratings. This proposed merger will enhance the already substantial and positive impact Old National's and First Midwest's current products and services, team members, marketing, investments, relationships, and community service have on its communities. Please let me know if there is any other information you would find helpful as you consider this Application.

Sincerely,



Jeffrey L. Knight
Executive Vice President, Secretary & Chief Legal Counsel

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