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April 12, 2017

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**RE: Application by Columbia Banking System, Tacoma, Washington to merge with, Pacific Continental Corporation, and thereby acquire Pacific Continental Bank, both in Eugene, Oregon**

Dear Directors Moe and Tsai,

The National Community Reinvestment Coalition (NCRC) and the undersigned organizations request that Columbia State Bank's (Columbia State) proposed acquisition of Pacific Continental Bank (Pacific Continental) include a forward-looking community benefits plan. This plan should detail how Columbia State will address concerns with their lending and Community Reinvestment Act (CRA) performance throughout their footprint. NCRC and its members would look forward to meeting with Columbia State to discuss critical needs and opportunities for Columbia State to be a leader in serving its communities. We also request that the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve condition approval of this acquisition on the successful implementation of a community benefits plan.

**The Need for a Community Benefits Plan**

In the context of any merger that creates advantages and increased market power for the bank, it should not be sufficient for a bank's application to

state a general commitment to the goals of the Community Reinvestment Act (CRA) and refer to their most recent CRA performance evaluation. CRA performance evaluations are backwards-looking and do not represent an ongoing commitment to meeting the needs of the local communities in which they do business. The regulators understand this difference and distinguish between the CRA and the “convenience and needs” factor.<sup>1</sup>

Bank merger regulation requires federal regulators to evaluate how the proposed transaction will meet the convenience and needs of the community after a merger is approved. We believe that banks should be more explicit in how they demonstrate this, and that the FDIC and Federal Reserve should require it via a community benefits plan. These plans should be developed in collaboration with local community organizations and demonstrate a significant and proactive commitment to low- and moderate-income (LMI) families and communities of color.

There is growing acceptance among regulators that a prospective, detailed commitment from the bank in the form of a community benefits plan should be required from banks at the time of mergers and acquisitions. Most recently, the Federal Reserve referenced a community benefits plan that NCRC and KeyBank agreed to as evidence of how an expanding KeyBank would be serving “convenience and needs” and addressing concerns raised during their merger approval process.<sup>2</sup> Other examples from 2014 and 2015 include the Office of the Comptroller of the Currency’s (OCC) approval of two mergers (Valley National-1st United and Sterling-Hudson Valley) conditional upon each bank writing a community benefits plan that had to be approved and monitored by the OCC.<sup>3</sup> Later in 2015, the OCC and the Federal Reserve also approved the

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<sup>1</sup> The Office of the Comptroller of the Currency (OCC) is very explicit about this. “The OCC, by statute, must consider convenience and needs in connection with business combination proposals. The ‘convenience and needs’ factor is distinguished from the CRA requirements in that the convenience and needs analysis is prospective, whereas the CRA requires the OCC to consider the applicant’s record of performance.” OCC Comptroller’s Licensing Manual. Public Notice and Comments. Page 10. Available online at <http://www.occ.treas.gov/publications/publications-by-type/licensing-manuals/PublicNCbooklet.pdf>.

<sup>2</sup> Federal Reserve Approval of KeyBank-First Niagara Merger. Available online at <https://www.federalreserve.gov/newsevents/press/orders/orders20160712a1.pdf>.

<sup>3</sup> OCC Approval of Valley National-1st United Merger. Available online at <http://www.occ.gov/topics/licensing/interpretations-and-actions/2014/crad163.pdf>. OCC Approval of Sterling-Hudson Valley Merger. Available online at <http://www.occ.gov/topics/licensing/interpretations-and-actions/2015/crad167.pdf>.

CIT-One West merger with multiple conditions, including requiring CIT to present a revised, public plan to be approved and monitored by the OCC.<sup>4</sup>

This is a trend that will make the CRA more effective, help banks to better plan and understand their reinvestment obligations, and create more community development benefits for the community. Regulators must continue this trend and raise the bar by requiring a forward looking, multiyear community benefits plan for every merger and acquisition.

## **CRA Performance**

### *Small Business Lending*

We compared Columbia State's small business lending from 2013 to 2015 to the lending of all non-credit card lenders in the following counties and identified some concerns. Specifically, we found that:

- Multnomah County OR
  - 57.8% of all CRA-reportable small business loans from non-credit card lenders were made to businesses with under a million in gross annual revenue (small businesses). However, during that same time period, only 35.2% of Columbia State's CRA-reportable small business loans went to small businesses. This means that Columbia State trailed the aggregate of non-credit card lenders by 22.7 percentage points (PP).
- Washington County OR
  - Trailed non-credit card lenders by 23.5 PP in lending to small businesses.
- King County WA
  - Trailed non-credit card lenders by 19.1 PP in lending to small businesses.
- Marion County OR
  - Trailed non-credit card lenders by 7.4 PP in lending to small businesses

Typically gaps in lending to certain 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 NCRC and its members on this issue can improve Columbia State's lending to underserved small businesses throughout their footprint. We are also curious if Columbia State currently has any efforts underway to meet the needs of

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<sup>4</sup> OCC Approval of CIT-OneWest Merger. Available online at <http://www.occ.treas.gov/news-issuances/news-releases/2015/nr-occ-2015-105a.pdf>. Federal Reserve Approval of CIT-OneWest Merger. Available online at <http://www.federalreserve.gov/newsevents/press/orders/orders20150721a1.pdf>.

businesses owned by people of color, and located in communities of color, and we would look forward to working on this with Columbia State as well.

### *Scores on 2014 CRA Performance Evaluation*

Columbia State received “Low Satisfactory” ratings on the Lending and Service tests for the state of Oregon and the Portland-Vancouver-Hillsboro MSA, and on the Service test for the state of Washington, on their 2014 CRA Performance Evaluation.<sup>5</sup> We expect a community benefits plan to specifically indicate how Columbia State will improve its performance in these areas, and we look forward to working with Columbia State on a plan to address this.

### *Mortgage Lending*

We are aware that Columbia State is primarily a commercial lender, however we encourage Columbia State to consider initiatives and partnerships with community groups that would enable Columbia State to play a more active role in providing access to homeownership to LMI households and people of color.

### **Non-Profit Services of Pacific Continental**

A community benefits plan should also detail the arrangements that Columbia State will take for the nonprofit community that has been well served by Pacific Continental. Pacific Continental has singled out nonprofits as a niche business sector and has been a productive partner of many community groups. In addition to offering products and services specifically tailored to nonprofits, Pacific Continental also hosts valuable educational events and workshops intended to build the capacity of local groups. NCRC and its members salute Pacific Continental for seeking out the nonprofit community as a customer base, and want to know how this aspect of Pacific Continental’s business will be treated if Pacific Continental is acquired by Columbia State.

### **Conclusion**

Columbia State has publicly stated that the merger with Pacific Continental is intended to “grow our position as the premier Northwest focused regional community bank.”<sup>6</sup> We believe

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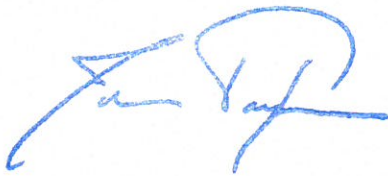
<sup>5</sup> 2014 FDIC CRA Performance Exam. Page 83. Available online at [https://www5.fdic.gov/crapes/2014/33826\\_140331.PDF](https://www5.fdic.gov/crapes/2014/33826_140331.PDF).

<sup>6</sup> “Columbia Banking System And Pacific Continental Corporation Enter Into Definitive Agreement To Merge.” Press Release. PR Newswire. January 09, 2017. Available online at <http://www.prnewswire.com/news-releases/columbia-banking-system-and-pacific-continental-corporation-enter-into-definitive-agreement-to-merge-300388234.html>.

that this is an admirable goal, and that the best way to accomplish it is by meeting with NCRC and its members to put together a forward-looking community benefits plan. NCRC and its members recently completed three mutually beneficial processes with KeyBank, Huntington National and Fifth Third focused on addressing issues raised by their respective mergers and CRA performance. These processes included local meetings with community groups and bank executives to discuss opportunities for the financial institution to be a leader in all of its markets, as well as how working with NCRC and our members could help the bank reach more underserved customers and markets. We are very pleased to report that these processes culminated in an agreement between the financial institution, NCRC and its members.<sup>7</sup> NCRC and its members are eager to meet with Columbia State in order to develop a similar pro-active plan to address the issues we have identified. Our commitment and presence throughout your footprint is strong and we are uniquely poised to assist Columbia State with improving its performance.

Thank you for considering this request. If you have any questions about this letter, feel free to contact Jesse Van Tol, Chief Operating Officer, at 202-464-2709 or [jvantol@ncrc.org](mailto:jvantol@ncrc.org).

Sincerely,



John Taylor  
President and CEO  
NCRC

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<sup>7</sup> "NCRC and KeyBank Announce Landmark \$16.5 Billion Community Benefits Agreement." NCRC Press Release. March 18<sup>th</sup> 2016. Available online at [http://www.ncrc.org/media-center/press-releases/item/1120-ncrc-and-keybank-announce-landmark-\\$165-billion-community-benefits-agreement](http://www.ncrc.org/media-center/press-releases/item/1120-ncrc-and-keybank-announce-landmark-$165-billion-community-benefits-agreement). "Huntington Bank and National Community Reinvestment Coalition Announce \$16.1 Billion Community Development Plan." NCRC Press Release. May 20<sup>th</sup> 2016. Available online at <http://www.ncrc.org/media-center/press-releases/item/1134-huntington-bank-and-national-community-reinvestment-coalition-announce-161-billion-community-development-plan>. "Fifth Third Bank and National Community Reinvestment Coalition Announce \$30 Billion Community Development Plan." NCRC Press Release. November 18<sup>th</sup> 2016. Available online at [http://www.ncrc.org/media-center/press-releases/item/1192-fifth-third-bank-and-national-community-reinvestment-coalition-announce-\\$30-billion-community-development-plan](http://www.ncrc.org/media-center/press-releases/item/1192-fifth-third-bank-and-national-community-reinvestment-coalition-announce-$30-billion-community-development-plan).



CC

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**Sign On Organizations**

Beacon Development Group

Bienestar

Community Housing Fund

Fair Housing Council of Oregon

Farmworker Housing Development Corporation

Housing Land Advocates

Innovative Changes

MERIT

NEDCO

Northwest Fair Housing Alliance

ONABEN

Oregon Opportunity Network

Portland Community Reinvestment Initiatives, Inc.

ROSE Community Development

Tillamook County Community Action Resource Enterprises, Inc.

Tillamook County Habitat for Humanity

**Appendix**

**Columbia State's 2013 - 2015 Small Business Lending in Multnomah County OR  
Compared to All Other Non-Credit Card Small Business Lenders**

<b>Summary of Small Business Lending - Columbia State Bank</b>					
<b>Multnomah County OR 2013 – 2015</b>					
	<b>Columbia State Bank</b>		<b>Peer Group</b>		<b>Percentage Point Differences</b>
	Count of Loans	Percent	Count of Loans	Percent	
LMI Census Tracts	236	38.94%	10,143	34.16%	4.78%
Businesses <\$1 mil in Revenue	213	35.15%	17,166	57.82%	-22.67%
<b>Total</b>	606	100.00%	29,689	100.00%	0.00%

**Columbia State's 2013 - 2015 Small Business Lending in Washington County OR  
Compared to All Other Non-Credit Card Small Business Lenders**

<b>Summary of Small Business Lending - Columbia State Bank</b>					
<b>Washington County OR 2013-2015</b>					
	<b>Columbia State Bank</b>		<b>Peer Group</b>		<b>Percentage Point Differences</b>
	Count of Loans	Percent	Count of Loans	Percent	
LMI Census Tracts	147	28.05%	4,010	24.50%	3.55%
Businesses <\$1 mil in Revenue	167	31.87%	9,057	55.34%	-23.47%
<b>Total</b>	524	100.00%	16,367	100.00%	0.00%



**Columbia State's 2013 - 2015 Small Business Lending in King County WA Compared to All Other Non-Credit Card Small Business Lenders**

<b>Summary of Small Business Lending - Columbia State Bank</b>					
<b>King County WA 2013-2015</b>					
	<b>Columbia State Bank</b>		<b>Peer Group</b>		<b>Percentage Point Differences</b>
	Count of Loans	Percent	Count of Loans	Percent	
LMI Census Tracts	461	32.42%	13,275	20.45%	11.97%
Businesses <\$1 mil in Revenue	465	32.70%	33,620	51.80%	-19.10%
<b>Total</b>	1,422	100.00%	64,908	100.00%	0.00%

**Columbia State's 2013 - 2015 Small Business Lending in Marion County OR Compared to All Other Non-Credit Card Small Business Lenders**

<b>Summary of Small Business Lending - Columbia State Bank</b>					
<b>Marion County OR 2013 - 2015</b>					
	<b>Columbia State Bank</b>		<b>Peer Group</b>		<b>Percentage Point Differences</b>
	Count of Loans	Percent	Count of Loans	Percent	
LMI Census Tracts	173	34.53%	1,683	22.78%	11.75%
Businesses <\$1 mil in Revenue	242	48.30%	4,112	55.65%	-7.35%
<b>Total</b>	501	100.00%	7,389	100.00%	0.00%

### Notes on Small Business Lending Analysis

- Lending information refers to all CRA reportable small business loans originated by Columbia State in the specified county and time period compared to all CRA reportable small business loans originated by non-credit card small business lenders in the same specified county and time period. 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.
- We chose to look at selected counties instead of the entire MSA in order to evaluate Columbia State's small business lending performance in the core areas of their assessment areas. We also included an analysis of Washington County OR at the request of a member organization.
- "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.