FRB Order No. 2025-01

January 8, 2025

FEDERAL RESERVE SYSTEM

UMB Financial Corporation
Kansas City, Missouri

Order Approving the Acquisition of a Bank Holding Company and the Merger of Bank Holding Companies

UMB Financial Corporation ("UMBF"), Kansas City, Missouri, a financial holding company within the meaning of the Bank Holding Company Act ("BHC Act"),[1] has requested the Board's approval under section 3 of the BHC Act[2] to acquire Heartland Financial USA, Inc. ("HTLF"), Denver, Colorado, a bank holding company, through UMBF's subsidiary Blue Sky Merger Sub, Inc., Kansas City, Missouri, and thereby indirectly acquire HTLF's state nonmember bank subsidiary, HTLF Bank, Denver, Colorado. Following the proposed transaction, HTLF Bank would be merged with and into UMBF's subsidiary UMB Bank, National Association ("UMB Bank"), Kansas City, Missouri.[3]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (89 Federal Register 52466 (June 24, 2024)), in

[1] 12 U.S.C. § 1841 et seq.

[2] 12 U.S.C. § 1842.

[3] The merger of HTLF Bank with and into UMB Bank is subject to the approval of the Office of the Comptroller of the Currency ("OCC") under section 18(c) of the Federal Deposit Insurance Act ("Bank Merger Act"). 12 U.S.C. § 1828(c). The OCC approved the Bank Merger Act application on December 23, 2024.

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 set forth in section 3 of the BHC Act.

UMBF, with consolidated assets of approximately $47.5 billion, is the 57th largest insured depository organization in the United States. UMBF controls approximately $39.7 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.[5] UMBF controls UMB Bank, which operates in Arizona, Colorado, Illinois, Kansas, Missouri, Nebraska, Oklahoma, and Texas.

HTLF, with consolidated assets of approximately $18.3 billion, is the 104th largest insured depository organization in the United States. HTLF controls approximately $15.0 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. HTLF controls HTLF Bank, which operates in Arizona, California, Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, New Mexico, Texas, and Wisconsin.

On consummation of this proposal, UMBF would become the 46th largest insured depository organization in the United States, with consolidated assets of approximately $65.8 billion, which would represent less than 1 percent of the total assets of insured depository organizations in the United States. UMBF would control total consolidated deposits of approximately $54.7 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.[6]

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[4] 12 CFR 262.3(b).

[5] Consolidated asset and national ranking data are as of September 30, 2024. Consolidated national deposit and market share data are as of September 30, 2024. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

[6] See Appendix I for deposit ranking and deposit data by state, for states in which UMB Bank and HTLF Bank both have banking operations. State deposit and ranking data are as of June 30, 2024, unless otherwise noted.

Interstate Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company that is well capitalized and well managed to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction is prohibited under state law.[7] The Board may not approve under this provision an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the target bank has not been in existence for the lesser of the state statutory minimum period of time or five years.[8] When determining whether to approve an application under this provision, the Board must take into account the record of the applicant's depository institution under the Community Reinvestment Act of 1977 ("CRA")[9] and the applicant's record of compliance with applicable state community reinvestment laws.[10] In addition, the Board may not approve an interstate application under this provision if the bank holding company controls or, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in any state in which the acquirer and target have overlapping banking operations.[11]

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[7] 12 U.S.C. § 1842(d)(1)(A).

[8] 12 U.S.C. § 1842(d)(1)(B).

[9] 12 U.S.C. § 2901 et seq.

[10] 12 U.S.C. § 1842(d)(3).

[11] 12 U.S.C. § 1842(d)(2)(A) and (B). Under section 3(d) of the BHC Act, the acquiring and target organizations have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. See 12 U.S.C. § 1841(o)(4)–(7).

For purposes of this provision, the home state of UMBF is Missouri.[12] HTLF Bank is located in Arizona, California, Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, New Mexico, Texas, and Wisconsin. UMBF is well capitalized and well managed under applicable law. UMB Bank has a "Satisfactory" rating under the CRA, and none of the jurisdictions in which UMB Bank operates has a state community reinvestment law that applies to this proposal. HTLF Bank has been in existence for more than five years.

On consummation of the proposed transaction, UMBF would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. Of the states in which UMB Bank and HTLF Bank have overlapping banking operations, Arizona imposes a 30 percent limit on the total amount of in-state deposits that a single banking organization may control,[13] Colorado imposes a 25 percent limit on the total amount of in-state deposits that a single banking organization may control,[14] Illinois imposes a 30 percent limit on the total amount of in-state deposits that a single banking organization may control,[15] Kansas imposes a 15 percent limit on the total amount of in-state deposits that a single banking organization may control,[16] Missouri imposes a 13 percent limit on the total amount of in-state deposits that a single bank holding company may control,[17] and Texas imposes a 20 percent limit on the total amount of in-state deposits that a single banking organization may control.[18] The

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[12] 12 U.S.C. § 1841(o)(4). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

[13] Ariz. Rev. Stat. § 6-328(A).

[14] Colo. Rev. Stat. § 11-104-202(4).

[15] 205 ILCS 10/3.09(a).

[16] Kan. Stat. Ann. § 9-520(a).

[17] Mo. Rev. Stat. § 362.915.

[18] Tex. Fin. Code § 202.002.

combined organization would control approximately 3.7 percent of the total amount of deposits of insured depository institutions in Colorado, 0.3 percent in Illinois, 3.1 percent in Kansas, 10.7 percent in Missouri, and 0.2 percent in Texas. Accordingly, in light of all the facts of record, the Board is not precluded from approving the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.[19] The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.[20]

UMBF and HTLF have subsidiary banks that compete directly in the Phoenix, Arizona, banking market ("Phoenix market"),[21] the Denver-Boulder, Colorado, banking market ("Metro Denver market"),[22] and the Kansas City, Missouri-Kansas, banking market ("Kansas City market").[23] The Board has considered the competitive effects of the proposal in these banking markets. In particular, the Board has considered

[19] 12 U.S.C. § 1842(c)(1)(A).

[20] 12 U.S.C. § 1842(c)(1)(B).

[21] The Phoenix market is defined as the Phoenix metropolitan area in Northwestern Pinal County and Maricopa County, Arizona.

[22] The Metro Denver market is defined as the Denver, Colorado, regional metropolitan area ("RMA"); Boulder County, Colorado; the non-RMA portions of Adams and Arapahoe Counties, Colorado; and the towns of Frederick and Keenesburg in Weld Country, Colorado.

[23] The Kansas City market is defined as Cass, Clay, Jackson, Lafayette, Platte, and Ray Counties, Missouri; the towns of Trimble and Holt in Clinton County, Missouri; the towns of Chilhowee, Holden, and Kingsville in Johnson County, Missouri; the towns of Adrian, Amsterdam, and Butler in Bates County, Missouri; Franklin, Johnson, Leavenworth, Linn, Miami, and Wyandotte Counties, Kansas.

the relative share of total deposits in insured depository institutions in the markets ("market deposits") that UMBF would control;[24] the concentration level of market deposits and the increase in this level, as measured by the Herfindahl-Hirschman Index ("HHI") under the 1995 Bank Merger Competitive Review guidelines ("1995 Bank Merger Guidelines");[25] the number of competitors that would remain in each market; and other characteristics of the market.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the 1995 Bank Merger Guidelines in the Phoenix market, Metro Denver market, and Kansas City market. On consummation, the three markets would remain moderately concentrated, as measured by the HHI, and the change in HHI in each market would be small. Numerous competitors would remain in the markets.[26]

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[24] Local deposit and market share data are as of June 30, 2024, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

[25] Department of Justice, Bank Merger Competitive Review – Introduction and Overview, https://www.justice.gov/sites/default/files/atr/legacy/2007/08/14/6472.pdf (1995). On September 17, 2024, the U.S. Department of Justice ("DOJ") announced its withdrawal from the 1995 Bank Merger Guidelines and emphasized that the 2023 Merger Guidelines, issued on December 18, 2023, remain its sole and authoritative statement across all industries. Press Release, Department of Justice, "Justice Department Withdraws from 1995 Bank Merger Guidelines," https://www.justice.gov/opa/pr/justice-department-withdraws-1995-bank-merger-guidelines. The 1995 Bank Merger Guidelines had been adopted together with the federal banking agencies, and none of the federal banking agencies have withdrawn from the 1995 Bank Merger Guidelines. The Board continues to apply the 1995 Bank Merger Guidelines in evaluating bank merger proposals.

[26] UMBF is the 13th largest depository organization in the Phoenix market, controlling approximately $1.4 billion in deposits, which represent 0.84 percent of the market deposits. HTLF is the 11th largest depository organization in the market, controlling approximately $1.6 billion in deposits, which represent 0.95 percent of the market deposits. On consummation of the proposed transaction, UMBF would become the 7th

The DOJ conducted a review of the potential competitive effects of the proposal and has advised the Board that it did not conclude that the proposal would have a significantly adverse effect on competition. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the

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largest depository organization in the market, controlling approximately $3.0 billion in deposits, which would represent 1.8 percent of market deposits. The HHI for the Phoenix market would increase by 1 point to 1634, and 61 competitors would remain in the market.

UMBF is the 9th largest depository organization in the Metro Denver market, controlling approximately $2.4 billion in deposits, which represent 1.95 percent of the market deposits. HTLF is the 15th largest depository organization in the market, controlling approximately $1.3 billion in deposits, which represent 1.12 percent of market deposits. On consummation of the proposed transaction, UMBF would become the 6th largest depository institution in the market, controlling approximately $3.7 billion in deposits, which would represent 3.1 percent of market deposits. The HHI for the Metro Denver market would increase by 4 points to 1166, and 75 competitors would remain in the market.

UMBF is the largest depository organization in the Kansas City market, controlling approximately $27.1 billion in deposits, which represent 31.5 percent of the market deposits. HTLF is the 21st largest depository organization in the market, controlling approximately $756 million in deposits, which represent 0.9 percent of market deposits. On consummation of the proposed transaction, UMBF would remain the largest depository institution in the market, controlling approximately $27.8 billion in deposits, which would represent 32.3 percent of market deposits. The HHI for the Kansas City market would increase by 56 points to 1299, and 116 competitors would remain in the market.

institutions involved, the effectiveness of the institutions in combatting money laundering, and any public comments on the proposal.[27] In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as any public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to complete the proposed integration of the operations of the institutions effectively. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

UMBF, HTLF, and their subsidiary depository institutions are well capitalized, and the combined organization would remain so upon consummation of the proposal. The proposed transaction is a bank holding company acquisition that is structured as a share exchange followed by a merger of holding companies, with UMB surviving, and then a merger of banks, with UMB Bank surviving.[28] The capital, asset quality, earnings, and liquidity of UMBF and HTLF and their subsidiary depository institutions are consistent with approval, and UMBF and UMB Bank appear to have adequate resources to absorb the related costs of the proposal and to complete the

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[27] 12 U.S.C. § 1842(c)(2), (5), and (6).

[28] To effect the transaction, each share of HTLF common stock would be converted into a right to receive shares of UMBF common stock, based on an exchange ratio, plus cash in lieu of any fractional shares. UMBF has the financial resources to effect the proposed acquisition and mergers.

integration of the institutions' operations. In addition, the future prospects of the institutions are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and the proposed combined organization. The Board has reviewed the examination records of UMBF, HTLF, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by UMBF; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws; and the public comment on the proposal.

UMBF, HTLF, and their subsidiary depository institutions are each considered to be well managed. The combined organization's proposed directors and senior executive officers have knowledge of and experience in the banking and financial services sectors, and UMBF's risk-management program appears consistent with approval.

The Board also considered UMBF's plans for implementing the proposal. UMBF has conducted comprehensive due diligence and is devoting sufficient financial and other resources to address all aspects of the post-acquisition integration process for this proposal. In addition, UMBF's management has the experience and resources to operate the resulting organization in a safe and sound manner, and UMBF plans to integrate HTLF's existing management and personnel in a manner that augments UMBF's management.

Based on all the facts of record, including UMBF's and HTLF's supervisory records, managerial and operational resources, and plans for operating the combined organization after consummation, the Board determines that considerations relating to the financial and managerial resources and the future prospects of the organizations involved in the proposal, as well as the records of effectiveness of UMBF and HTLF in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.[29] In evaluating whether the proposal satisfies the convenience and needs statutory factor, the Board considers the impact that the proposal will or is likely to have on the communities served by the combined organization. The Board reviews a variety of information to determine whether the relevant institutions' records demonstrate a history of helping to meet the needs of their customers and communities. The Board also reviews the combined institution's post-consummation plans and the expected impact of those plans on the communities served by the combined institution, including on low- and moderate-income ("LMI") individuals and communities. The Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve and are providing access to banking products and services that meet the needs of customers and communities, including the potential impact of branch closures, consolidations, and relocations on that access. In addition, the Board reviews the records of the relevant depository institutions under the CRA.[30] The Board strongly encourages 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 and their obligations under the CRA.[31]

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, gender, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information,

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[29] 12 U.S.C. § 1842(c)(2). Where applicable, the Board also considers any timely substantive comments on the proposal and, in its discretion, may consider any untimely substantive comments on the proposal.

[30] 12 U.S.C. § 2901 et seq.

[31] See 12 U.S.C. § 2901(b).

information provided by the applicant, and public comments on the proposal. The Board also may consider the acquiring institution's business model and intended marketing and outreach, the combined organization's 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 UMB Bank and HTLF Bank; the fair lending and compliance records of both banks; the supervisory views of the OCC, the Consumer Financial Protection Bureau ("CFPB"), and the Federal Deposit Insurance Corporation ("FDIC"); confidential supervisory information; information provided by UMBF; and the public comment received on the proposal.

Public Comment on the Proposal

The Board received one adverse comment on the proposal. The commenter objected to the proposal, alleging that in 2022, UMB Bank made fewer home loans to African American individuals as compared to white individuals.[32] The commenter also alleged the existence of litigation and stated that a high percentage of UMB Bank's deposits exceed the FDIC's $250,000 deposit insurance threshold and are, therefore, uninsured and vulnerable to potential losses.

Businesses of the Involved Institutions and Response to the Public Comment

Through UMB Bank, UMBF offers consumer, commercial, and institutional banking products and services. Its commercial banking products and services include comprehensive deposit products, commercial and industrial loans, commercial real estate loans, small business loans, and treasury management and investment services. Its consumer banking products and services include deposit services, mortgage and other home lending, and wealth management and financial

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[32] The data cited by the commenter corresponds to publicly available 2022 data by UMB Bank under the Home Mortgage Disclosure Act of 1975 ("HMDA"). 12 U.S.C. § 2901 et seq.

planning services. Finally, its institutional banking products and services include asset servicing, corporate trust solutions, investment banking, and healthcare payment solutions.

In response to the comment, UMBF states that the data cited in the comment letter are misleading and do not evidence discriminatory or otherwise improper lending practices. UMBF asserts that the data referenced are based on small sample sizes and that HMDA data alone provide an incomplete measure of UMB Bank's housing-related lending. According to UMBF, UMB Bank takes its fair lending responsibilities seriously and denies loan applications across racial groups for the same reasons—namely, an excessive debt-to-income ratio or poor credit history. UMBF further highlights UMB Bank's record of performance on its CRA evaluations and the wide array of products and services offered to LMI communities as evidence of its dedication to the communities it serves. Finally, UMBF notes that the figures cited regarding its uninsured deposit liabilities are based on outdated data and that the level of uninsured deposits at its subsidiary bank has remained steady and its management of liquidity and interest rate risk are appropriate.

Records of Performance under the CRA

In evaluating the CRA performance of the involved institutions, the Board generally considers each institution's most recent CRA evaluation and the supervisory views of relevant federal supervisors, which in this case is the OCC with respect to UMB Bank and the FDIC with respect to HTLF Bank.[33] In addition, the Board considers information provided by the applicant and public commenter.

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.[34] An

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[33] See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48506, 48548 (July 25, 2016).

[34] 12 U.S.C. § 2906.

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, federal financial supervisors apply a lending test ("Lending Test"), an investment test ("Investment Test"), and a service test ("Service Test") to evaluate the performance of large banks, such as UMB 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, in addition to small business, small farm, and community development loan data collected and reported under the CRA 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 assessment areas ("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;[35] (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the

[35] 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) (2023).

institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.[36] The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs. 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.[37]

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial, ethnic, or gender groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions may not be available from public HMDA data.[38] Consequently, the Board considers additional information not available to the public that may be needed from the institution and evaluates disparities in the context of the additional information obtained regarding the lending and compliance record of an institution.

CRA Performance of UMB Bank

UMB Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the OCC, as of June 5, 2023 ("UMB Bank

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[36] See 12 CFR 228.22(b) (2023).

[37] See 12 CFR 228.23 and 228.24 (2023).

[38] Importantly, credit scores are not available in the public HMDA data. Accordingly, when conducting fair lending examinations, examiners analyze additional information not available to the public before reaching a determination regarding an institution's compliance with fair lending laws.

Evaluation").[39] The bank received "High Satisfactory" ratings for both the Lending and Service Tests and an "Outstanding" rating for the Investment Test.[40]

With respect to the Lending Test, the rating is primarily based on UMB Bank's Lending Test performance in the Kansas City CSA, St. Louis MMSA, and the states of Arizona, Colorado, Kansas, Missouri, Oklahoma, and Texas rating areas. Examiners found that lending levels reflected at least adequate responsiveness to credit needs in the bank's AAs. Examiners also found that the bank exhibited at least an adequate geographic distribution in its AAs. Last, examiners found that the bank's community development lending performance had a significantly positive impact in its rating areas. In Missouri, an area of concern for the commenter, UMB Bank received an "Outstanding" rating for the Lending Test. In Colorado and Texas, other areas of concern for the commenter, the bank received "High Satisfactory" ratings for the Lending Test.

With respect to the Investment Test, the rating was based primarily on UMB Bank's "Outstanding" performance in the Kansas City CSA, St. Louis MMSA, and the states of Arizona, Colorado, Missouri, Nebraska, Oklahoma, and Texas rating areas. Examiners found that the bank exhibited excellent responsiveness to credit and economic development needs in its AAs.

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[39] The UMB Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed small business and HMDA-reportable loan data from January 1, 2020, through December 31, 2021. Examiners also reviewed community development loans, qualified investments, and community development and retail services from January 1, 2020, through December 31, 2022.

[40] The UMB Bank Evaluation involved review of the bank's activities in its fourteen AAs: (1) Kansas City Combined Statistical Area ("CSA") ; (2) St. Louis Multi-State Metropolitan Statistical Area ("MMSA"); (3) Phoenix, Arizona Metropolitan Statistical Area ("MSA"); (4) Colorado Springs, Colorado MSA; (5) Denver, Colorado MSA; (6) Kansas non-MSA; (7) Lawrence, Kansas MSA; (8) Topeka, Kansas MSA; (9) Columbia, Missouri MSA; (10) Missouri non-MSA; (11) Springfield, Missouri MSA; (12) Omaha, Nebraska MSA; (13) Oklahoma City, Oklahoma MSA; and (14) Dallas, Texas MSA.

With respect to the Service Test, the rating was primarily based on UMB Bank's "Outstanding" performance in the Kansas City CSA, and its "High Satisfactory" performance in the St. Louis MMSA and the state of Missouri rating area. Examiners found that service delivery systems were reasonably accessible to geographies and individuals of different income levels in its AAs. Examiners also found that the bank provided a significant level of community development services in its AAs.

UMB Bank's Efforts since the UMB Bank Evaluation

UMBF represents that, since the UMB Bank Evaluation, UMB Bank has furthered its commitment to community reinvestment and to serving the needs of LMI individuals and communities in its AAs. Specifically, UMBF notes that UMB Bank has developed and rolled out its Downpayment Assistance Mortgage Program, which is a first-time home-buyer grant program designed for LMI individuals and LMI communities. UMBF also represents that UMB Bank has a strong culture of volunteerism and continues to develop new ways to engage and involve itself and its employees in the communities in which it is located.

CRA Performance of HTLF Bank

HTLF Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the FDIC, as of October 17, 2022 ("HTLF Bank Evaluation").[41] The bank received "High Satisfactory" ratings for the Lending, Investment, and Service Tests.[42]

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[41] The HTLF Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed small business and HTLF Bank's and HTLF Bank's affiliates' HMDA-reportable loan data from June 3, 2019, through December 31, 2021. Examiners also reviewed community development loans, investments, and services from June 3, 2019, through October 17, 2022.

[42] The HTLF Bank Evaluation involved a full-scope review of the bank's activities in its four AAs located in Colorado: the Boulder MSA, Denver MSA, Greeley MSA, and the Nonmetropolitan AA, consisting of all census tracts in Eagle, Grand, and Summit Counties.

With respect to the Lending Test, examiners found that HTLF Bank's lending levels reflected good responsiveness to its AAs' credit needs and that a substantial majority of loans were made in HTLF Bank's AAs. Examiners also found that the geographic distribution of loans reflected excellent penetration throughout the reviewed AA although they found that the bank's distribution of borrowers reflected overall poor borrower profile performance, given the product lines offered by HTLF Bank. Examiners found that HTLF Bank was a leader in making community development loans and made use of innovative and/or flexible lending practices in order to serve AA credit needs.

With respect to the Investment Test, examiners found that HTLF Bank had a significant level of qualified community development investments and grants, for which it occasionally served in a leadership position, particularly those that are not routinely provided by private investors. Examiners characterized HTLF Bank as having exhibited good responsiveness to credit and community economic development needs. Examiners also found that HTLF Bank occasionally uses innovative and/or complex investments to support community development initiatives.

With respect to the Service Test, examiners determined that HTLF Bank's delivery systems were accessible to essentially all portions of the bank's AAs. Examiners found that, to the extent changes had been made, the bank's record of opening and closing branches had generally not adversely affected the accessibility of the bank's delivery systems, particularly to LMI geographies and/or to LMI individuals. Examiners noted that HTLF Bank's services and hours of operation did not vary in a way that inconvenienced certain portions of the bank's AAs, particularly LMI geographies and/or individuals. Finally, examiners found that HTLF Bank provided a relatively high level of community development services.

HTLF Bank's Efforts since the HTLF Bank Evaluation

UMBF represents that, since the HTLF Bank Evaluation, HTLF Bank has been focused on a multitude of CRA-related strategies focusing on enhancing efforts across CRA lending, investments, and services. During the HTLF Bank Evaluation, the institution's charter consolidation process—through which HTLF's other bank subsidiaries were merged into HTLF Bank—was still underway. The consolidation process was completed in October 2023, and since then, HTLF Bank stood up a consolidated CRA program supporting its efforts on an enterprise-wide basis. Additionally, according to UMBF, HTLF Bank recently expanded its Small Business Administration lending programs to include SBAExpress lending and enhanced credit underwriting, a small business product designed to help HTLF Bank attract business applicants in underserved markets and those that may not qualify for conventional financing. Finally, since the HTLF Bank Evaluation, the bank has also launched its inaugural week of community service, designed to promote outreach and community service among its employees.

Additional Supervisory Views

In its review of the proposal, the Board consulted with and considered the views of the OCC as the primary federal supervisor of UMB Bank and the FDIC as the primary federal supervisor of HTLF Bank. The Board also considered the results of the most recent consumer compliance examinations of UMB Bank and HTLF Bank by the OCC and FDIC, respectively, which included reviews of the banks' compliance management programs and compliance with consumer protection laws and regulations, including fair lending. Lastly, the Board also considered the results of the most recent consumer compliance examination of UMB Bank by the CFPB.

The Board has taken this information, as well as the CRA performance records of UMB Bank and HTLF Bank, into account in evaluating the proposal, including in considering whether UMBF has the experience and resources to ensure that the combined organization would help meet the credit needs of the communities to be served following consummation of the proposed transaction.

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. This includes, for example, the combined organization's business model and intended marketing and outreach and existing and anticipated product and service offerings in the communities to be served by the organization; any additional plans the combined organization has for meeting the needs of its communities following consummation; and any other information the Board deems relevant.

UMBF represents that it is committed to maintaining access to legacy HTLF products, while also providing services that supplement its offerings. In particular, UMBF intends to deploy its down-payment assistance and first-time home-buyer grant programs across HTLF's existing footprint, enhancing access to homeownership for LMI communities. Additionally, in support of the new markets it would be entering, UMBF represents that it is engaging with community organizations in an effort to develop a robust community development plan for the combined organization. Finally, UMBF notes that, in the communities where UMBF and HTLF both operate, customers would have meaningfully expanded branch access, creating larger service areas.

Branch Closures

Physical branches remain important to many banking organizations' ability to meet the credit needs of the local communities in which they operate. When banking organizations combine, whether through acquisitions, mergers, or consolidations, the combination has the potential to increase or to reduce consumers' and small businesses' access to available credit and other banking services. Although the Board does not have the authority to prohibit a bank from closing a branch, the Board focuses on the impact of expected branch closures, consolidations, and relocations that occur in connection with a proposal on the convenience and needs of the communities to be served by the resulting institution. In particular, the Board considers the effect of any closures, consolidations, or relocations on LMI communities.

Federal banking law provides a specific mechanism for addressing branch closings, including requiring that a bank provide notice to the public and the appropriate federal supervisory agency before a branch is closed.[43] In addition, the federal banking supervisory agencies evaluate a bank's record of opening and closing branches, particularly branches located in LMI geographies or primarily serving LMI individuals, as part of the CRA examination process.[44]

UMBF represents that branch closings and consolidations may occur in connection with the proposed transaction. UMBF represents, however, that any closures would be made following a careful analysis of branch overlap and the potential impact on LMI communities. In the UMB Bank Evaluation, examiners found UMB Bank's branches were reasonably accessible to individuals and communities of different incomes in its AAs and that UMB Bank's opening and closing of branches had not adversely affected the accessibility of the bank's delivery systems, particularly to LMI geographies and individuals. In the HTLF Bank Evaluation, examiners found that HTLF Bank's service delivery systems were accessible to essentially all portions of the bank's AAs and that HTLF Bank's opening and closing of branches had generally not adversely affected the accessibility of the bank's delivery systems, particularly to LMI geographies and individuals. The Board has consulted with the OCC regarding UMB Bank's post-consummation branching plans.

The Board has considered all the facts of record relating to branch closures, consolidations, and relocations, including the records of the relevant depository institutions under the CRA and fair lending laws in relation to branch closures; the institutions' policies and procedures on and records of compliance with federal banking law regarding branch closures; the views of the OCC and FDIC; supervisory information; and information provided by UMB Bank. Based on that review, the Board concludes that UMB Bank has established policies, programs, and procedures designed to ensure the bank's branching network is consistent with the bank's CRA and fair lending obligations

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[43] See 12 U.S.C. § 1831r-1. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

[44] See, e.g., 12 CFR 228.24(d)(2) (2023).

and to mitigate the impact of any branch closures on communities to be served by the combined bank.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the record of the relevant depository institutions under the CRA, the institutions' record of compliance with fair lending and other consumer protection laws, supervisory information, information provided by UMBF, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. The Board has considered relevant facts of the record pertaining to the issues the commenter raised, including the supervisory records of the institutions involved, and UMBF's representations regarding efforts the combined organization will make to satisfy the convenience and needs of its community, including LMI communities. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

Financial Stability Considerations

Section 3 of the BHC Act requires the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system."[45]

To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border

[45] 12 U.S.C. § 1842(c)(7).

activities of the resulting firm.[46] These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opacity and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.[47]

The Board's experience has shown that proposals involving an acquisition of less than $10 billion in total assets, or that result in a firm with less than $100 billion in total assets, generally are not likely to pose systemic risks. Accordingly, the Board presumes that a proposal does not raise material financial stability concerns if the assets involved fall below either of these size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.[48]

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a pro forma organization with less than $100 billion in total assets. Both the acquirer and the target are predominantly engaged in retail and commercial banking activities.[49] The pro forma organization would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm

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46 Many of the metrics considered by the Board measure an institution's activities relative to the United State financial system.

47 For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

48 See People's United Financial, Inc., FRB Order No. 2017-08 at 25–26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

49 UMBF and HTLF offer a range of retail and commercial banking products and services. UMBF has, and as a result of the proposal would continue to have, a small market share in these products and services on a nationwide basis.

in the event of financial distress. In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the United States banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are 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.[50] In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is

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[50] The commenter requested that the Board hold public hearings on the proposal. Under section 3(b) of the BHC Act, the Board must hold a public hearing on a proposal if the appropriate supervisory authorities for the acquiring bank or the bank to be acquired make a timely written recommendation of disapproval of the proposal. 12 U.S.C. § 1842(b); see also 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board, in its discretion, may hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted a written comment that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and would be clarified by a public hearing. In addition, the request does not demonstrate why written comments do not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for public hearings on the proposal is denied.

The commenter also requested an extension of the comment period for the application. The commenter's request for additional time to comment did not identify circumstances that would warrant an extension of the public comment period for this proposal. Accordingly, the Board has determined not to extend the comment period.

specifically conditioned on compliance by UMBF with all the conditions imposed in this order and on any commitments made to the Board in connection with the proposal. The Board's approval also is conditioned on receipt by UMBF of all required regulatory approvals. 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.

The proposal may not be consummated before the 15th calendar day after the effective date of this order or later than three months thereafter, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Kansas City, acting under delegated authority.

By order of the Board of Governors,[51] effective January 8, 2025.

(Signed) Michele Taylor Fennell

Michele Taylor Fennell
Associate Secretary of the Board

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[51] Voting for this action: Chair Powell, Vice Chair Jefferson, Vice Chair for Supervision Barr, Governors Bowman, Waller, Cook, and Kugler.

Appendix I

Deposit Data in States where UMB Bank and HTLF Bank Both Operate

Data are as of June 30, 2024. Percent represents the portion of all deposits held by insured depository institutions in the state. In this context, insured depository institutions include commercial banks, savings and loan associations, and savings banks.

State	UMB Bank			HTLF Bank			Merged Entity		
	Rank of Insured Depository Institutions by Deposits	Deposits Controlled (in billions)	Percent of Total Deposits	Rank of Insured Depository Institution by Deposits	Deposits Controlled (in billions)	Percent of Total Deposits	Rank of Insured Depository Institution by Deposits	Deposits Controlled (in billions)	Percent of Total Deposits
Arizona	15th	$1.5	0.7	13th	$1.6	0.8	10th	$3.1	1.5
Colorado	15th	$2.8	1.5	20th	$1.5	0.8	9th	$4.2	2.3
Illinois	226th	$0.2	<0.1	34th	$1.7	0.3	31st	$1.9	0.3
Kansas	8th	$2.3	2.3	29th	$0.9	0.9	7th	$3.2	3.2
Missouri	1st	$29.1	11.5	234th	<$0.1	<0.1	1st	$29.1	11.6
Texas	168th	$0.5	<0.1	70th	$1.8	0.1	54th	$2.3	0.2