

***Via Eapps System
Confidential Treatment Requested***

September 28, 2018

Ms. Karen Smith
Director of Applications
Federal Reserve Bank of Dallas
2200 North Pearl Street
Dallas, Texas 75201

Re: Comerica Bank, Dallas, Texas, to Establish a Branch at 6829 Hillcrest Avenue, Dallas, Texas 75205, Supplemental Information Request Response; Comerica Bank, Dallas, Texas (Charter No. 3187-26, FDIC Cert. No. 00983)

Dear Ms. Smith and Mr. Simmons:

I am writing on behalf of Comerica Bank ("Comerica") to respond to your letter of September 17, 2018, regarding our branch application for the 6829 Hillcrest Avenue, Dallas, Texas location. In your letter, you made a request for three points of information. In this regard, the following is Comerica's response to those three requests.

- 1. Provide an update on Bank's activities in the assessment areas that include Dallas, Texas, under the Community Reinvestment Act ("CRA") since the 2015 CRA examination conducted by the Federal Reserve Bank of Dallas. In your response, address activities under each of the lending, investment and service tests that occurred in the assessment areas that include Dallas, Texas.**
 - a. Describe any significant CRA initiatives undertaken, particularly with respect to credit and deposit products and retail banking services targeted towards low-and moderate income ("LMI") geographies and individuals in the assessment areas that include Dallas, Texas, identifying key elements of the products and services, the approximate date introduced, and results achieved to date.**
 - b. Provide information on Bank's community development lending, investments, and services since the last evaluation periods in the assessment areas that include Dallas, Texas, including the total number and dollar amount (except for community development services) and a brief description of the most significant community**

development loans, investments, and services.

Introduction

Comerica has developed strong ties to all the communities it serves, which includes the Dallas, Texas area. Most recently, staff of Comerica met with the Houston Mayor's office and reaffirmed its commitments to the city of Houston and its residents. For your benefit, we have attached a copy of that presentation for your files. More importantly, as has been demonstrated over the years of Comerica's CRA ratings of Outstanding and Satisfactory, Comerica is not only committed to meeting the CRA's requirements, it is an important part of who we are as a bank.

Comerica is strategically aligned by three business segments: The Business Bank, The Retail Bank, and Wealth Management. Comerica focuses on relationships, and helping people and businesses be successful. With regard to Comerica's CRA strategy, lending results are primarily driven by loans to small and middle market sized businesses, commercial real estate construction loans, and loans to non-profit organizations and municipalities.

Since Comerica's last CRA examination, several enhancements to its CRA program have been or are in the process of being implemented:

- A CRA Working Group was established in early 2017. The group includes many of Comerica's senior executives and meets monthly to discuss CRA performance.
- In June 2018, Comerica's CRA Department was restructured in order to utilize a first-line of defense/second-line of defense strategy. The External Affairs Department (reporting to Corporate Communications and Contributions) now handles community and other external outreach. Their focus is on ascertaining community needs, charitable contributions, community development services (especially financial education), and managing community partner relationships. The CRA Compliance Department (reporting to Corporate Compliance) has an oversight role, which includes monitoring performance, ensuring CRA qualification for certain loans, investments and services, managing CRA examinations and audits, and managing risk.
- Systems are being upgraded to improve efficiency and accuracy with reporting. For example, a new software platform will be fully implemented by the beginning of 2019 which will improve contributions and volunteerism reporting. Additionally, robotics software is being utilized in order to better identify potential community development loans.
- Community Development Services – During the 2015 examination, weakness in the levels of community development services were noted in the San Jose, California and Southeast Michigan CRA assessment areas.

Strategic plans were developed in order to address the issues in early 2017 and results for the year showed significant improvement in both geographies. **It is worth noting that the most recent Service test rating for the Dallas, Texas assessment area was Outstanding, the highest possible rating.**

Lending Test

As mentioned, small business loans and community development loans have a significant impact on Comerica's CRA performance. Comerica looks to enhance performance, especially in low- and moderate-income ("LMI") communities and communities of color, through two programs:

- Business Banking Specialists – These bankers work directly with and in support to the Retail Banking network with loan requests of \$500,000 or less.
- Market Segmentation Initiatives – These teams focus on increasing outreach and new business opportunities in various market segments. Current teams include:
 - African American
 - Asian American
 - Asian Indian
 - Asian Pacific
 - Hispanic
 - LGBT
 - Middle Eastern
 - South Asian
 - Veterans
 - Women

What follows are highlights of Comerica's lending performance since the previous CRA examination, with a focus on small business and community development lending.

- Small Business Loans¹
 - From 2015 through 2017, Comerica funded 24,895 small business loans totaling more than \$5.966 billion. Of this total, 3,120 (13%) totaling \$766,435,000 (13%) were made in the Dallas CRA assessment area. This is significant in that Comerica has roughly 25 CRA assessment areas, yet more than 10% of Comerica's entire loans were generated in Dallas.
 - During this same time period, the Bank made 1,227 loans (39%)

¹ Please note that the loan volumes above include totals for 2016 and 2017 that are preliminary and subject to possible revision.

totaling \$312,012,000 (41%) to businesses located in LMI census tracts in Dallas.

- Community Development Loans
 - From 2015 through 2017, Comerica reported 390 community development loans totaling more than \$1.16 billion. Of this total, 34 (9%) totaling \$225,140,000 (19%) were made in the Dallas CRA assessment area. As was the case with small business loans, these percentages are significant since it is only one of roughly 25 CRA assessment areas.
 - Notable community development loans in the Dallas assessment area from this period include:
 - An annual renewal and three credit line increases (totaling \$45 million) in 2017 to a Dallas-based company that specializes in environmental remediation. The company experienced a significant increase in demand for its services after Hurricane Harvey in Houston and Hurricane Irma in Florida. The additional capital allowed the company to meet the needs of people and businesses in both markets.
 - A new loan in 2015 of more than \$10 million to build an industrial warehouse facility in Grand Prairie, Texas. The project is one of several facilities being built as part of the redevelopment of a former drive-through wild animal park. The project has significant local and state support and is expected to create a significant number of new jobs.
 - A \$30 million construction loan in 2015 to finance a mixed use project (multi-family housing and commercial/retail) located in Irving, Texas. The project is located in a Tax Increment Financing zone and is surrounded by numerous low- or moderate-income census tracts. It is also located one block from a Dallas Area Rapid Transit (DART) station and will encourage increased use of public transportation.
 - An annual renewal in 2016 of a working capital line of credit to a school in the Oak Cliffs community of Dallas, Texas. The school was founded in 1999 and nearly 90% of the students attending the school are from LMI families.

Investment Test

Comerica's CRA qualified investments consist of investments in Low-Income Housing Tax Credits (LIHTC), LMI mortgage-backed securities, and charitable contributions.

- a. From 2015 through 2017, Comerica made or held CRA qualified

investments totaling more than \$290 million. Of this total, just over \$40 million impacted the Dallas CRA assessment area.

- b. Also, of the above total, more than \$1,264,000 in CRA qualified charitable contributions were provided in Dallas.
- c. Other notable contributions during the 2015-2017 period include:
 - i. A \$100,000 donation to the American Red Cross in the aftermath of Hurricane Harvey in 2017.
 - ii. Grants totaling \$30,000 to several non-profit organizations in Houston after Hurricane Harvey. It is worth noting that these funds, which were reallocated from other markets, were provided in partnership with the Federal Home Loan Bank of Dallas which matched the funds dollar-for-dollar. Thanks to this match, the organizations received a total of \$60,000.
 - iii. Between 2015 and 2017, grants totaling more than \$390,000 were given to the United Way of Metropolitan Dallas.
 - iv. A \$40,000 grant provided to a Dallas-based Community Development Financial Institution (CDFI) in 2015. The funds were used as an investment into the organization's small business loan fund. The organization makes loans to small businesses that are challenged to qualify for traditional bank credit.

Service Test

As mentioned previously, Comerica is primarily a middle market lender. However, Comerica continues to offer products that are beneficial to LMI consumers. These products are available in all markets, including Dallas, and include the following:

- Access Checking – A lower cost checking account that includes low opening deposit amounts, low minimum balance requirements and multiple options to choose from that can eliminate monthly maintenance fees.
- On the Job Banking – This product provides no- or low-cost personal banking services to employees of business customers, many of which are located in LMI geographies.
- Secured Credit Card – Designed to help individuals who are seeking to build or re-establish credit. If the account is in good standing after 12 months, the customer can apply for a traditional credit card. The account is secured by a certificate of deposit, requires a minimum \$300 balance and has a \$35 annual fee.

More detailed information about these products are available upon request.

Comerica has been very active in its communities and has also been a leader in the provision of financial education. During the 2015-2017 timeframe:

- Employees participated in more than 6,400 CRA qualified events, meetings and financial education classes across Comerica's markets.
- In 2017 alone, Comerica employees spent more than 6,150 hours volunteering in CRA qualified activities.
- In the Dallas CRA assessment area, Comerica employees participated in 539 CRA qualified events, meetings and financial education classes.
- In 2017, Dallas employees spent 476 hours volunteering in CRA qualified activities.
- From 2015 through 2017, Comerica employees delivered financial education curricula to more than 131,000 across all its markets. Of this total, more than 10,000 students were in the Dallas CRA assessment area.

It is also worth noting that in 2017, Comerica more than tripled the volume of CRA qualified community development services in the San Jose Assessment area from 2016. In Southeast Michigan, volumes were more than doubled. As mentioned previously, these two CRA assessment areas had been identified as being challenged in the prior CRA examination.

As also previously mentioned, the most recent Service test rating for the Dallas, Texas assessment area was Outstanding, the highest possible rating.

Another item of note involves the Comerica's Youth Savings Program ("YSP"). In 2016, Comerica successfully lobbied the State of California to change an existing law that prevented the program from being offered in schools. The YSP has been offered in Michigan and Texas for many years and has been very well received. The goal is to now begin offering it in California schools as well.

Finally, an important part of the Service Test includes ensuring that Comerica's CRA assessment area are appropriate and do not purposely exclude LMI census tracts. In 2017, Comerica conducted a very thorough review of its assessment areas to ensure that the boundaries of the areas were appropriate. Some revisions were made after considering:

- Updated demographic and income information provided by the U.S. Census Bureau, as of December 31, 2015.
- Ratios of loans made inside and outside Comerica's assessment areas.
- Where Comerica could reasonably include full counties within the assessment areas, rather than using portions of counties.

It is worth noting that no changes were made to the existing boundaries of the Dallas CRA assessment area.

2. Describe the expected benefits that would accrue to the public as a result of the proposed branch.

The new branch location at 6829 Hillcrest Avenue, Dallas, Texas, will provide

additional convenience and accessibility to products and services for the surrounding neighborhoods, businesses, and college students in the surrounding office building complexes, and the greater Dallas community and economy through the investment made in this new location. In addition, the Dallas community will also benefit from the expanded hours for customers to handle transactions through video and other, new technologies.² Therefore, providing the full scope of Comerica's presence, availability, and services in a centralized facility to service all surrounding areas in a new, more modern environment than we were able to do at the closing branch³.

3. Describe Bank's community outreach efforts (e.g., credit needs assessment, marketing, advertising, product development) to inform such residents and businesses of the availability of the bank's products and services in the Dallas assessment area. Describe any efforts targeted to minority and LMI individuals and geographies.

As we do for all of our customers in all markets, including LMI areas, Comerica engages in a variety of community outreach efforts to inform such residents and businesses of the availability of the bank's products and services in the Dallas assessment area. Those efforts include:

- Statement stuffers;
- Promotional signs and posters in our Dallas Banking centers, including take-away pamphlets;
- Postings on our webpages and other social media post; and
- General advertising.

In closing this response, we want to reiterate that, as we have noted and committed to many times before, Comerica has no countenance or patience for discrimination of any kind within its organization. We trust that your office has come to see Comerica as a supportive member of the communities it serves and a supporter of the law and spirit of equal credit opportunity and take great comfort in Comerica's current and past CRA practices.

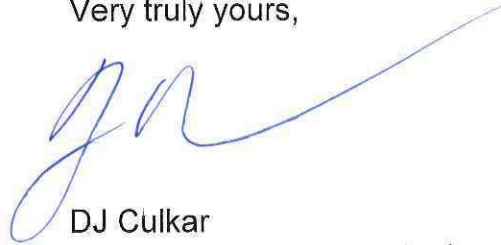
² This will allow Comerica to provide service to customers potentially two hours earlier and three hours later than our traditional banking center hours adding flexibility and convenience to serve the greater Dallas community.

³ We note for you that this is a net new branch office, not a relocation.

Karen Smith
September 28, 2018
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Should you have any questions in this regard, please contact me at 214.462.4401.

Very truly yours,

A handwritten signature in blue ink, appearing to be 'DJ Culkar', with a long, sweeping horizontal line extending to the right.

DJ Culkar
Senior Vice President, Assistant General
Counsel, and Assistant Secretary

Attachments

Cc: Jeff Gerlach, TDoB
Catherine Robinson, FRB-Dallas