



Comptroller of the Currency
Administrator of National Banks

Southern District Licensing
500 North Akard, Suite 1600
Dallas, Texas 75201-3323

CRA Decision #135
September 2006

August 9, 2006

Mr. Granville Tate, Jr.
Brunini, Grantham, Grower & Hewes, PLLC
Attorneys at Law
248 East Capital Street, Suite 1400
Jackson, Mississippi 39201

Re: Application to merge Republic National Bank, Houston, Texas with and into Trustmark National Bank, Jackson, Mississippi – Application Control # 2006-SO-02-0024

Dear Mr. Tate:

On August 9, 2006, the Office of the Comptroller of the Currency (“OCC”) approved your application to merge Republic National Bank, Houston, Texas (“RNB”) with and into Trustmark National Bank, Jackson, Mississippi (“TNB”), under the title and charter number of the latter.

The approval is granted based on a thorough review of all information available, including commitments and representations made in the application, and the merger agreement and those of your representatives. The business combination of TNB and RNB is legally authorized as an interstate merger transaction under the Riegle-Neal Act, 12 U.S.C. §§ 215a-1 and 1831u(a), and the resulting bank is authorized to retain and operate offices of both banks under 12 U.S.C. §§ 36(d) and 1831u(d)(1).

The OCC reviewed the proposed merger transaction under the criteria of the Bank Merger Act, 12 U.S.C. §§ 1828(c), and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not have significant anticompetitive effects. The OCC considered the financial and managerial resources of the banks, their future prospects, the convenience and needs of the communities to be served, and their effectiveness in combating money laundering activities. We considered these factors and found them consistent with approval.

The Community Reinvestment Act (“CRA”) requires the OCC to take into account the applicants’ records of helping to meet the credit needs of the community, including low- and moderate-income (“LMI”) neighborhoods, when evaluating certain applications, including merger transactions that are subject to the Bank Merger Act, 12 U.S.C. § 2903; 12 C.F.R. § 25.29. The OCC considers the CRA performance evaluation of each institution involved in the transaction. A review of the records of these applicants and other information available to the OCC as a result of its regulatory

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responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including LMI neighborhoods, are less than satisfactory.

TNB received a "Satisfactory" rating in its most recent CRA Performance Evaluation ("PE") issued by the OCC as of November 2, 1998. The PE determined that the bank's lending levels reflected good responsiveness to assessment area credit needs and adequate distribution of loans both geographically and based on borrower characteristics. It also determined the bank had a satisfactory market share of lending in low- and moderate-income tracts, as well as a good record of lending to businesses of all sizes. No evidence of discriminatory lending practices was noted.¹

RNB also received a "Satisfactory" rating in its most recent CRA PE issued by the OCC as of November 4, 2005. The PE determined that the bank's lending efforts were reasonable, including its loan-to-deposit ratio, percentage of both dollar amount and volume of loans (including small business) originated in the assessment area, geographic distribution of loans, and level of community development lending, investments and services. No evidence of discriminatory lending practices was found.

The OCC received one comment from a community organization. The commenter requested that the application be denied and that a public hearing be held. Based on the 2004 Home Mortgage Disclosure Act ("HMDA") data, the commenter noted disparities in denial rates for home purchase and refinance loans to African Americans when compared to denial rates for whites in the Jackson, MS and Memphis, TN Metropolitan Areas ("MAs").² The commenter also noted pricing disparities for African Americans in the Jackson MA.

In its response letter, TNB noted that the data do not support the commenter's assertions with respect to denial ratios. For example, the commenter asserted that Latinos are denied 2.81 times more frequently than whites for home purchase loans in the Memphis MA. This statistic is based on a total of 3 applications from Latinos, 2 of which were approved. TNB asserted that this result, coupled with such a small sample size, is hardly sufficient to support the commenter's allegation.

Additionally, TNB stated that every denial by the mortgage division of the bank goes through a second review process. The Mortgage Second Review Committee meets weekly to review all mortgage division denials to verify that each denial was consistent with the bank's lending policies and practices. Similarly, when an underwriter in the bank's centralized underwriting unit

¹ A CRA examination of TNB is currently underway. The CRA examination was deferred, per OCC policy, once due to the time needed to resolve outstanding examination issues, and then due to Hurricane Katrina and its aftermath.

² It is important to note that HMDA data alone is not adequate to provide a basis for concluding that a bank is engaged in lending discrimination or indicating whether its level of lending is sufficient. HMDA data do not take into consideration borrower creditworthiness, housing prices, credit scores, and other factors relevant to each credit decision, nor do they fully reflect the range of a bank's lending activities or efforts. Nevertheless, denial and pricing disparities are of concern to the OCC and are evaluated in fair lending examinations. The OCC has carefully examined the 2004 HMDA data for national banks, including TNB, and has incorporated the results of the analysis into the OCC's supervisory strategy for examinations.

recommends that an application for a HMDA loan be either approved with an exception or denied (except on applications where the customer does not meet the minimum FICO score and the minimum credit bureau score), such a recommendation is also subjected to a second review process before a decision is made.

With respect to its pricing policies, TNB reported that approximately 84% of its HMDA loans are originated through the bank's mortgage division, which underwrites loans exclusively using the automated underwriting systems of secondary market investors, primarily Fannie Mae's Desktop Underwriter ("DU"). Underwriters generally have no discretion to override the credit decision provided by DU. If DU determined that an applicant is not eligible for the most favorable pricing level because of an elevated level of credit risk, the bank has the option to propose approval of the applicant under one of several expanded approval programs that are designed to offer loans whose pricing reflects this elevated level of risk. In addition, lenders in the bank's mortgage division are permitted only limited overages. No overage is permitted for special loan programs targeted at low- and moderate-income borrowers.

In addition to placing controls on its decision-making and pricing processes in its fair lending program, TNB asserted that it has worked with numerous organizations in the Jackson and Memphis MAs to promote community development projects including funding for interest-free loans for housing to LMI individuals, funding for first time homebuyer education programs for LMI families, funding for financial counseling and homebuyer training programs to LMI homebuyers to revitalize inner-city neighborhoods, and financial assistance to an organization that assists individuals with fair housing and fair lending issues.

The commenter also raised a concern that TNB is providing financing to "fringe financial service companies" due to the fact that the bank had four loans to money service businesses ("MSB's), including one pawn shop. TNB noted that its lending to money service businesses is limited. One of the loans cited by the commenter is no longer outstanding. With respect to the remaining three entities, TNB has performed a due diligence review of these businesses, determined that they are all locally-owned businesses serving their communities, and has opted to serve these businesses provided that they meet, and can comply with, TNB's standard lending policies. None of these borrowers are affiliated with TNB, and the two MSB's requiring state licensing have registered and are therefore subject to applicable state regulation and supervision.

The commenter requested that the OCC conduct a public hearing. After careful consideration, the OCC has determined not to conduct a public hearing on this merger application. The general standard the OCC applies to determine whether to hold a public hearing is contained in 12 C.F.R. § 5.11 (b), which provides:

The OCC generally grants a hearing request only if the OCC determines that written submissions would be insufficient or that a hearing would otherwise benefit the decision-making process. The OCC also may order a hearing if it concludes that a hearing would be in the public interest.

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The commenter requested a public hearing in order to discuss perceived disparities in TNB's lending record based on TNB's 2004 HMDA data that was submitted to the commenter for review. The OCC determined that a public hearing would not provide the OCC with additional relevant information that would have a bearing on the decision of the pending application.

As a reminder, the Dallas District Office must be advised in writing at the address of the undersigned in advance of the desired effective date for the merger so that the OCC may issue the necessary certification letter. The effective date must follow the applicable Department of Justice's injunction period and any other required regulatory approval. If the merger is not consummated within one year from this approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States ("U.S."), any agency or entity of the U.S., or any officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

A separate letter is enclosed requesting your feedback on how we handled the application. We would appreciate your response so we may improve our service. If you have any questions, please contact Licensing Analyst Dana Yarborough or me at (214) 720-7052.

Yours truly,

/s/ Pansy G. Hall
for

Karen H. Bryant
Director for District Licensing

Enclosure