



## TD Bank Stock Faces Challenge From U.S. Senate!

### Description

**Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is in the middle of closing one of its biggest M&A deals ever. In a deal valued at \$13.4 billion, it will acquire 100% of **First Horizon National** ([NYSE:FHN](#)), a bank holding company in the southeastern United States. The deal will make TD the sixth-largest bank in America. However, it has a major hurdle to overcome first: the U.S. Senate.

Last week, a group of U.S. senators wrote the U.S. Office of the Comptroller of the Currency (OCC) asking them to reject TD's deal. Claiming that TD was guilty of "abusive practices" similar to **Wells Fargo** in the past, the group wanted the deal put on hold until TD was "held accountable." In the past, Wells was found to have upsold customers overdraft accounts without their permission — the senators are saying that TD did similar things. It's serious sounding stuff. But will it actually end TD's First Horizon deal?

### Senator Elizabeth Warren attempts to block acquisition

One of the leaders of the attempt to block TD's acquisition is [Elizabeth Warren](#). A progressive senator from Massachusetts, she is known for her hardline stance on big business. In her letter, which was co-signed by several other senators, she wrote: "The OCC should closely examine any ongoing wrongdoing and block any merger until TD Bank is held responsible for its abusive practices." She also said that the OCC found evidence of misconduct by TD Bank in the past but didn't act on it. It was not clear at the time of writing whether the OCC intended to follow Warren's recommended steps.

### Potential costs of a delay

A delay in the First Horizon deal would be costly to TD Bank. Most obviously, it would postpone the addition of FHN's earnings to TD's own financial statements. More directly, it would cause the price of the deal to increase by \$0.65 per share for each year that it fails to close. That could be a major problem. TD's offer of \$25 per FHN share was considered high to begin with. If the deal is delayed long term and takes years to close, the [valuation](#) could get even richer.

## Foolish takeaway

TD Bank is facing one last hurdle on its path to becoming the sixth-biggest bank in the United States. It has already gained shareholder approval to go forward; now it just needs regulators' blessing. Unfortunately, that blessing may have become harder to obtain. U.S. senators are a powerful group, and several of them are opposing the TD-FHN deal. There has been no indication yet that the U.S. OCC intends to act on their advice, but the risk of the deal not closing has increased.

What does that mean for TD Bank stock?

Potentially, that earnings for next year will be a little lower than we would have hoped. The FHN deal, were it to close, would be immediately accretive to TD's earnings. If it gets delayed, then we'll have to wait for the value to be delivered to shareholders. Most likely, TD's acquisition of FHN will close sooner or later. But we may have to wait longer on closing than we would have hoped.

### CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:TD (The Toronto-Dominion Bank)

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