The Greenlining Institute
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Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Submitted electronically

RE: Request for Comment on Proposal to Rescind Statement of Policy on Bank Merger Transactions RIN 3064– ZA45

To whom it may concern:

The Greenlining Institute appreciates the opportunity to comment on the proposal to rescind the FDIC's 2024 Statement of Policy (SOP) on bank merger transactions. Greenlining has been advocating for bank merger reform since its inception over 30 years ago, advocating to limit the disparate impacts the bank mergers have on low-income communities and communities of color. We are gravely disappointed that the FDIC board of directors has approved a proposal to rescind and potentially reverse attempts to improve an outdated review process. We strongly oppose the rescission of the 2024 Statement of Policy and hope you consider the various financial impacts it will have in our communities in California and throughout the country. In addition we request an extension of the comment period given that 30 days is not sufficient time to allow for community members to engage who may have limited staffing resources.

Founded in 1993, The Greenlining Institute works toward a future when communities of color can build wealth, live in healthy places filled with economic opportunity, and are ready to meet the challenges posed by climate change. We proactively drive investments and opportunities into communities of color alongside a coalition of over 40 grassroots, community-based organizations, including minority business associations, community development corporations, and civil rights organizations. Our multifaceted advocacy efforts address the root causes of racial, economic, and environmental inequities to meaningfully transform the material conditions of communities of color in California and across the nation.

Financial Context

The FDIC's efforts to reinstate the 1998 statement of policy on bank merger transactions (amended in 2008) is regressive and does not address present day trends that affect the bank merger process. The financial landscape has significantly evolved since 2008. Digitalization and mergers have redefined the banking sector, therefore making it imperative to ensure that these advancements do not come at the expense of low-income communities and communities of color. The recent surge in bank mergers, compounded by the closures of over 4,000 branches since the onset of the pandemic[1], has highlighted a critical need for a reevaluation of priorities within the banking sector that centers the convenience and needs of communities, particularly those who have been historically underserved. Communities of color, who are disproportionately impacted, are concerned that bank mergers will lead to more branch closures and job losses particularly in areas where the merging banks have overlapping operations. This could have a negative impact on local economies, reducing access to financial services and potentially leading to a decline in property values, repeating the cycle of disinvestment.

The 2024 SOP made drastic improvements to the convenience and needs factor, implementing a three year post merger branch closing/opening analysis and providing insured depository institutions (IDIs) explicit guidance on ways to demonstrate conditions post merger not only meet the convenience and needs factor but improve conditions. In the absence of this guidance, we will continue to see a strain on the public benefit factor, raising ongoing concerns as drastic cuts to bank branches in low-income and minority-majority communities rise, increasing banking deserts in rural communities, impacting small businesses, and the overall financial wellness and economic stability of underserved communities. As race continues to be a barrier to economic mobility and opportunity, it is imperative that regulators strengthen not weaken bank merger review processes, ensuring that low-income communities, communities of color, and local economies become a central component of applications to guarantee that the convenience and needs of communities are met.

Reject Proposal to Rescind SOP

Due to the aforementioned concerns, Greenlining rejects the proposal to rescind the FDIC's 2024 Statement of Policy (SOP) on bank merger transactions. The FDIC provides context for the recission of the 2024 SOP which states that the convenience and needs factor "does not offer any objective or quantifiable criteria" however, the 2008 SOP is less specific and does not provide explicit examples on ways IDIs can demonstrate meeting the convenience and needs factor. The following improvements have been made to the 2024 SOP that strengthen the review of the convenience and needs factor and provide applicants guidance on ways to address various requests.

1. **FDIC's statement of policy cites that "The FDIC expects that a merger between IDIs will enable the resulting IDI to *better* meet the convenience and the needs of the community to be served than would occur absent the merger."**

The FDIC goes on to provide additional context on ways applicants can meet this criteria by adding "the transaction will benefit community such as through higher lending limits, greater access to existing products and services, introduction of new or expanded products or services, reduced prices and fees, increased convenience in utilizing the credit and banking services and

[1]Jad Edlebi, Bruce C. Mitchell, & Jason Richardson. (2022). The Great Consolidation of Banks and Acceleration of Branch Closures Across America. *National Community Reinvestment Coalition*. https://ncrc.org/the-great-consolidation-of-banks-and-acceleration-of-branch-closures-across-america/

facilities of the resulting IDI, or other means." In contrast to the 2008 statement, the 2024 statement indicates that "The FDIC expects applicants to provide specific and forward-looking information to enable the FDIC to evaluate the expected benefits of the merger on the convenience and needs of the community to be served."

The FDIC acknowledged that RFI commenters suggested community benefit agreements (CBAs) as a means for accountability in meeting the convenience and needs factor, further stating that "as appropriate, claims and commitments made to the FDIC to support the FDIC's evaluation of the expected benefits of the merger may be included in the order, and the FDIC's ongoing supervisory efforts will evaluate the Insured Depository Institution's (IDI's) adherence with any such claims and commitments." This additional guidance is less vague than the 2008 policy statement, offering actionable steps such as a CBA or an actionable plan that applicants can submit to demonstrate ways they will increase their lending limits, maintain affordable prices, and or expand products and services in order to meet the convenience and needs of the community.

The FDIC 2024 policy statement on mergers was an attempt to address post merger trends that have shown a decline in community reinvestment and disparate impacts on low-to-moderate income communities and communities of color by requiring banks to demonstrate in specific ways how their mergers would enable them to better meet convenience and needs after mergers. These efforts require agency enforcement, oversight, and public engagement to ensure that banks are complying with the Bank Merger Act and Community Reinvestment Act. In the absence of increased enforcement we will continue to see trends similar to those of Capital One Bank. Capital One Bank's consolidation through mergers has decimated smaller banks and created a platform for the largest banks to consistently grow. For example, Capital One's history of mergers and acquisitions since 2005 has allowed it to become one of the top 10 largest banks in the US.[2] Through its various mergers, Capital One has shut down mortgage divisions, eliminating jobs, and critical access to credit in various communities.[3] Similar patterns emerged in its acquisition of ING Direct in 2012, closing 42 branches a year after its acquisition,[4] in addition to mortgage and home equity lines of credit divisions. Despite the critical need of community banks that center community needs, post merger trends have shown repeatedly that prioritizing profits[5] at the expense of community needs is central to a bank's business model.

2. **The FDIC's comprehensive branch analysis indicates "The FDIC will evaluate all projected or anticipated branch expansion, closings, or consolidations for the first**

[2] Horton, Cassidy. (2024). Largest Banks in The U.S. 2024. Forbes. https://www.forbes.com/advisor/banking/largest-banks-in-the-us/
[3] Wilchines, Dan. (2007). Capital One slashes jobs, mortgage industry swoons. Reuters. https://www.reuters.com/article/us-financial-mortgages-idUSN2027429520070820/
[4] Van Tol, Jesse. (2023) Time to Change Bank Merger Reviews: NCRC CAlls for New Rulemaking Process. National Community Reinvestment Coalition. https://ncrc.org/time-to-change-bank-merger-reviews-ncrc-calls-for-new-rulemaking-process/
[5] Dobbs, Jim. (2023). Why the torrid pace of branch closings has cooled. American Banker. https://www.americanbanker.com/news/why-banks-are-closing-so-many-branches

three years following consummation of the merger…applications that project material reductions in service to low- and moderate-income communities or consumers will generally result in unfavorable findings."

The FDIC provides additional review criteria that the 2008 statement of policy lacks regarding branch closures and the impact they have on small businesses, communities, and the economy indicating that the final statement "will request that applicants quantify or provide information regarding job losses to the extent those are known or knowable." When banks and branches close there is a ripple effect on the local economic ecosystem that impacts not only community members, but small businesses and jobs that help maintain a strong financial ecosystem. A [2023 report][6] from the Federal Reserve Banks indicated that an overwhelming share of small businesses still rely on banks for financing applications, and many cite their relationship with their lender as the reason they continue to work with them. These banking relationships matter and remain critical for supporting small businesses in their communities.

In addition, changes in lending practices post-merger can decrease small businesses' access to credit. Small businesses, which may already struggle to access credit compared to larger corporations,[7] could find it even more challenging to secure loans or lines of credit following a merger, especially if the merged entity decides to tighten lending standards or focus more on larger, more profitable clients. Moreover, mergers can lead to increased fees and charges due to service consolidation and branch closures, further constraining small businesses' bargaining power. Additionally, changes in product offerings that were beneficial to small businesses may force them towards alternative financial institutions that have less favorable and more expensive terms. Lastly, geographical impacts such as branch closures in rural areas exacerbate access issues, pushing businesses to travel farther or rely on less accessible online services. All of these factors affect job growth and economic development, and have disproportionate impacts on historically disadvantaged communities, particularly low-income, people of color, and those living in rural and remote areas.

3. **The FDIC clarifies that the "FDIC's review is not limited to the CRA record of the institutions and will encompass a broad review of the institutions' existing products and services and whether the products and services proposed by the applicants will meet the convenience and needs of the community to be served."**

The FDIC's 2024 SOP ensures that the CRA record is one of the many components reviewed in the merger application process. It is imperative to not view CRA ratings in isolation nor as a benchmark for positive or favorable findings in the convenience and needs factor. In addition, CRA performance should not be equated with adherence to consumer protection and fair

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[6] 2023 Report on Employer Firms: Findings from the 2022 Small Business Credit Survey." 2023. Small Business Credit Survey. Federal Reserve Banks. https://doi.org/10.55350/sbcs-20230308

[7] Brown, Sherrod. (2022). Brown Urges Fed and OCC to Scrutinize Bank Mergers. https://www.brown.senate.gov/newsroom/press/release/sherrod-brown-fed-occ-scrutinize-bank-mergers. [Press Release].

lending laws. National Community Reinvestment Coalition (NCRC) and Rise Economy's forthcoming research of redlining cases showed that in the last nine years, the Department of Justice has brought redlining complaints against 17 banks. Of those 17 banks, 13 passed their CRA exams, 11 got a Satisfactory rating, two got an Outstanding rating, two received "Needs to Improve", and two others passed and were later downgraded. These are concerning statistics given that the CRA is our nation's premier anti-redlining law. Banks that redline should not pass their CRA exams nor be granted approval to merge.

Greenlining's coalition of 40 grassroots based organizations have tirelessly advocated for an explicit race-conscious lens in the Community Reinvestment Act (CRA) and in the Bank Merger Application review. When these considerations are ignored, systemic inequities are exacerbated. Low-income communities and communities of color are not synonymous, therefore any attempt to address the racial wealth gap will come short absent of a race-conscious approach. Calls to eliminate diversity, equity, and inclusion[8] initiatives as well as race-conscious programs following the Supreme Court's affirmative action ruling[9] ending all race-based admission programs in colleges and universities have demonstrated regressive attempts that will perpetuate systemic inequities caused by years of disinvestments in formerly redlined communities. These attempts ignore fair lending and equal credit opportunity laws that establish legal grounds for lending to communities with protected characteristics. Further, interagency support[10] and guidance have been provided, including the U.S. Department of Housing and Urban Development[11] and the Consumer Financial Protection Bureau[12] affirming lending based on protected characteristics, particularly for Special Credit Purpose Programs.

As such, lending institutions and regulatory agencies can and should maintain existing and implement new race-conscious programs that address racial and economic disparities, particularly economic conditions impacted by race. Greenlining recommends that the FDIC's

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[8] Watson, Leah. (2024). Anti-DEI Efforts Are the Latest Attack on Racial Equity and Free Speech. *American Civil Liberties Union.* https://www.aclu.org/news/free-speech/anti-dei-efforts-are-the-latest-attack-on-racial-equity-and-free-speech

[9] Totenberg, Nina. (2023). Supreme Court guts affirmative action, effectively ending race-conscious admissions. *National Public Radio.* https://www.npr.org/2023/06/29/1181138066/affirmative-action-supreme-court-decision

[10] Federal Deposit Insurance Corporation. (2022). *Interagency Statement on Special Purpose Credit Programs Under the Equal Credit Opportunity Act and Regulation B.* https://www.fdic.gov/news/financial-institution-letters/2022/fil22008.html

[11] The U.S. Department of Housing and Urban Development. (2021). *Office of General Counsel Guidance on the Fair Housing Act's Treatment of Certain Special Purpose Credit Programs That Are Designed and Implemented in Compliance with the Equal Credit Opportunity Act and Regulation B.* https://www.hud.gov/sites/dfiles/GC/documents/Special_Purpose_Credit_Program_OGC_guidance_12-6-2021.pdf

[12] The Bureau of Consumer Financial Protection. (2020). *Advisory Opinion on Special Purpose Credit Programs.* https://www.consumerfinance.gov/rules-policy/final-rules/advisory-opinion-on-special-purpose-credit-programs/

comprehensive review of the convenience and needs factor should include communities of color, identifying impacts through majority-minority census tracts.

4. **The FDIC will consider whether it is in the public interest to hold a hearing for merger applications, and generally expects to hold a hearing for any application resulting in an IDI with greater than $50 billion in assets or for which significant CRA protests are received.**

Public hearings provide opportunities to give voice to the concerns and potential impacts on convenience and needs expressed in comment letters. This is an opportunity for community members to provide insights and concerns regarding CRA investments and compliance with consumer financial and anti-discrimination laws. The criteria provided in the 2024 Statement of Policy provides an important asset limit of $50 billion to trigger public hearings, which has been absent in previous statements. This asset limit is particularly important, especially for banks that impose larger systemic risks, i.e., “too big to fail” banks, such as in the examples noted previously, where bank community commitments have not been upheld post merger and products and services that meet community needs are eliminated.

Conclusion

While promoting a competitive and efficient banking sector is undoubtedly important, it must not come at the expense of low-income communities and communities of color. The FDIC’s 2024 Statement of Policy creates guardrails to help ensure bank mergers do not exacerbate economic instability and inequality by not addressing the convenience and needs factor appropriately. It is vital that transparency and accountability are prioritized and enforced throughout the bank merger review process. We thank the FDIC for the opportunity to comment on this process and strongly urge the FDIC to reconsider proposals to rescind the progress made on the bank merger review process.

Sincerely,

[redacted]

Olga Talamante (Apr 10, 2025 15:37 PDT)

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Greenlining Coalition

Access + Capital

AnewAmerica Community Corporation

Asian Business Association of Silicon Valley

Asian Business Association of Los Angeles

Asian Pacific Islander Small Business Collaborative

Black Cultural Zone Community Development Corporation

California Journal for Filipino Americans

Community Development, Inc.

Council of Asian American Business Associations of California

El Concilio of San Mateo County

Faith and Community Empowerment (FACE)

Fresno Metro Black Chamber of Commerce

Inland Empire Latino Coalition

San Francisco Filipino American Chamber of Commerce

Southern California Black Chamber of Commerce

The Unity Council

2025 GLI Comments: Recission FDIC Statement of Policy - INTERNAL

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