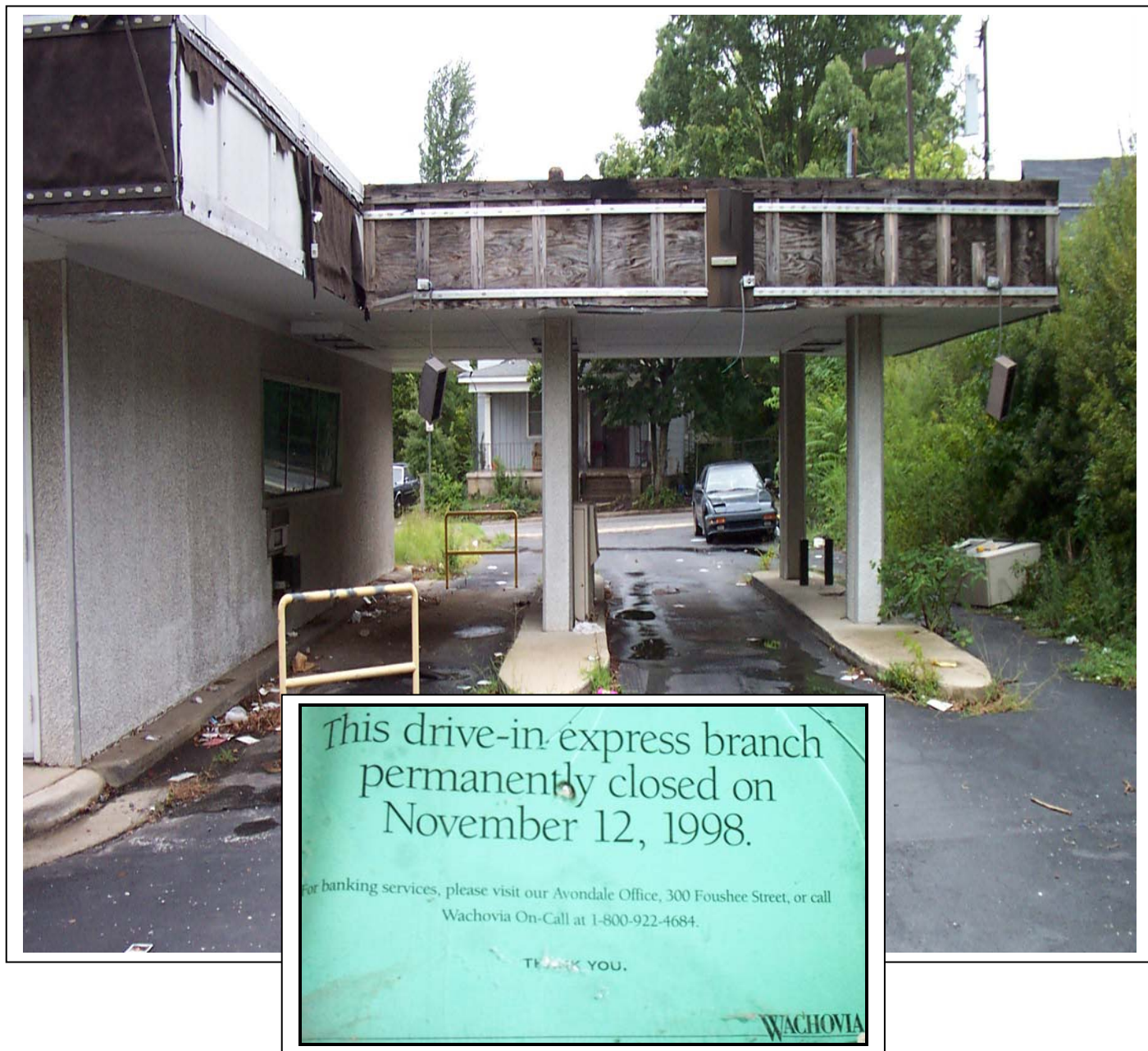


Bank Branch Closures



A Guide for Action!

Reinvestment Partners

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WHAT WILL BE THE LEGACY?

The pictures on the cover tell the story. In both, a bank has closed a branch in a vulnerable neighborhood. But, in one, the bank completely abandoned a community to decay. In the other, the bank helped stabilize a fragile community. The same situation had two remarkably different outcomes.

Durham, NC: There are bullet holes in the window, trash and teller machines strewn on the ground, graffiti on the walls, and an “open” sign dangling from the roof. Kids practice their golf swings on the empty beer cans littering the ground. When Wachovia Bank closed this branch in Durham, it left a neighborhood without financial services and an unflattering legacy for the bank.

Monroe, NC: Inside the neat building, the Monroe-Union County CDC staff works to provide housing for low- and moderate-income residents. When First Union closed this branch they leased the building to the CDC for \$1 a year and eventually sold it to them at a substantial discount. The bank’s action ensured that the community has access to financial services essential to building wealth, leaving a legacy of community investment.

BANK BRANCH CLOSURES

AN ACTION GUIDE

INTRODUCTION

Bank branch closures are a global trend, occurring from Australia to Europe to Asia, and sooner or later, a bank branch might be closing in your community. Branches close for various reasons, including lack of profitability and redundancy as a result of mergers. Regardless of the reason, branch closures affect individuals, businesses, and communities.

Branch closures affect individuals and families by limiting access to financial services. Even though electronic banking is increasing, branch locations are still the primary means of providing financial services, particularly to low-income households. An Australian study found that bank branch closures reduced savings, reduced access to financial planning advice, and reduced access to and increased the cost of finance.

Branch closures also affect businesses and communities. Small business owners in rural areas tend to rely on local banks for financing and rural communities depend on banks for commercial development. The same Australian study found that bank branch closures in rural communities resulted in a reduction in local spending, a decline in financial investment, and a loss of community confidence. The impact of a branch closure is greater when it is the last bank in town.

In addition to providing credit products and services in communities, bank branches often act as an anchor business in commercial and downtown areas. Since a branch closure results in a vacant building, it has a spatial impact on the community.

Bank branch closings can offer opportunities for reinvestment in communities or they can leave a legacy of disinvestment and decay. What happens when a bank branch closes depends on the actions of the communities and banks.

The potentially negative impact of a branch closure can be mitigated by responsible corporate action. But that action won't happen unless local communities ask for it – and ask persistently and effectively. This guide provides the framework for reaching a positive outcome with lenders. It offers queries to help you dialogue with the lender, suggestions for action, and case examples of what other communities have done. You can make a difference in branch closures.

STEP 1: Decide what you want from the dialogue and action.

The first step is deciding what outcome would best serve the community's needs. What you want from the branch closure process and action depends on your community and the banking situation. Without responsible corporate action, a branch closing may result in a decrease in financial services and a visual blight in the community in the form of a vacant building.

When deciding the desired outcome, it is necessary to first assess the impact of the branch closure. Talk to local business owners and community residents to gain understanding of their economic and spatial concerns. We recommend doing an informal survey of various stakeholders to better understand the situation. In Appendix A there are sample surveys designed for customers, local businesses, and economic developers to help you determine the impact on various segments of the population, their perceptions of the problem, and possible solutions.

We identify four positive outcomes of action regarding bank branch closures in vulnerable communities:

- 1) Stop the closure through regulatory and public protest.
- 2) Work with the bank to develop a plan for assuring that financial services are not diminished, but improved, through the branch network, an alternative service delivery system, or building new branches.
- 3) Persuade the bank to donate the building to nonprofit community development agencies, or sell the building with concessions to nonprofit community development agencies.
- 4) Assure proactive efforts to replace the bank business with a new business so the facility does not become a vacant building.

STEP 2: Meet with the lender regarding the branch closures. Start at the top with the bank president and chairman. They have the authority to say yes to your request. Everyone else is only authorized to say no.

After deciding your desired outcome, the next step is to meet with the lender to share your concerns and goals. During the meeting with bank officers continue to probe for information to determine the potential impact on access to services and the spatial impact on the community. Be prepared to offer proposals specifying how to reach your preferred outcome.

Financial Services

People depend on the branches for checking and savings accounts and loans. When a branch closes, it is necessary to measure the existing level of services to assure that services will not diminish. Below is a table of services and products banks offer. Ask the bank about the current level of services and what will be done to improve services once the branch closes. Get specific – what is the staffing level? Where are loan officers located? How will marketing be done? What about access for people who use the bus system? This assessment should be done for both the lender closing a branch and for the community as a whole.

Services/Product Affected by Closing	Before Closure Service Level	After Closure Service Level	Bank Actions Necessary to Reach Goals
Mortgage Lending			
Small Business Lending			
Checking, Savings Transactions			
Marketing to Community			

If you feel that the branch closing will reduce financial services in the community, propose solutions to the bank, such as providing alternative delivery systems or financial support for local community development financial institutions.

Questions to ask the lender:

How is the bank deciding on which branches to close? Does the process consider the impact on low- and moderate-income communities?

What specific plans are there to increase services in areas served by the existing bank? Is there a plan for alternative delivery systems like ATMs?

What assessments has the bank conducted to analyze how location closings will affect local markets? What plans are there to mitigate harm?

Negative Spatial Impact

When a bank closes a branch, not only are services diminished, but the branch structure itself may become a vacant building or be occupied by a marginal business, hurting the local economy and diminishing community confidence. In Durham, NC, Wachovia closed a branch in the northeastern part of the city. It was acquired by an absentee landlord and the building has become a blight, leaving the testament of broken glass, trash, and teller machines strewn on the ground that you see on the front cover. In Washington, DC, First Union closed a branch and it was bought by a payday lender providing abusive, high cost loans. In both instances, the communities were negatively affected.

Banks are particularly sensitive about their public image. Leaving a payday lender or dilapidated building as a legacy is not in their corporate self-interest or in the best interest of the communities.

Options for the Branch Building

When Centura Bank purchased Triangle Bank in North Carolina, a number of branches were closed. The local Human Relations Commission, supported by resolutions from the City and County Governments, requested that the branch be donated to a new Latino Center to serve the growing Hispanic population. The Bank refused, but instead contributed three years of rent to the Latino Center. Centura also began an outreach program to provide financial services to Spanish-speaking immigrants through the Center – thus increasing their business and providing direct financial services to an underserved population.

If you feel that the branch closing will have a negative spatial impact, propose solutions to the bank. One solution would be for the bank to donate the branch building to a nonprofit or community development financial institution. In Union County, North Carolina, First Union leased a

branch to a community development corporation for \$1 a year, creating a positive and lasting legacy in the community – a direct contrast to the scenario in Washington, DC. When a branch building is not donated, ask for a corporate contribution to help those nonprofits who are trying to a) provide financial services; b) economically revitalize the area; and c) provide community development services.

Questions to ask the lender regarding spatial impact:

How will the bank assure that the closure of a branch will not become geographical detriment to the local economy?

How will the bank assure that the building will be leased or sold to another viable activity to assure economic vitality?

Is the bank working with local economic development agencies to place positive activities in the branch building?

What considerations are given to closed branch buildings being donated? What philanthropic gifts can be made to help nonprofits address the economic damage done to communities?

STEP 3: Decide if action is necessary to get to a positive outcome. Decide the best type of action and public relations necessary to reach the desired objective.

The lender and community advocates may disagree on the impact on the community and the lender's responsibility to mitigate the damage. We strongly urge community leaders to search for win-win solutions and use their good judgment about what is fair. If the lender fails to take responsibility for the negative harm that its branch closures will have, we recommend using other tools. There are two major tools to ensure that bank closures do not have a negative impact on your community: regulatory protest through the Community Reinvestment Act and public protest.

The Community Reinvestment Act

The Community Reinvestment Act (CRA) is a federal law that allows communities and regulators to evaluate whether banks are meeting the credit needs of their entire community. When a bank closes a branch in a low- or moderate-income area, CRA allows you to comment to the bank's federal regulator on its impact on the community. The regulator may intervene or you may be able to work out a CRA agreement with the bank.

Lenders are required to notify their federal regulator and the public regarding any branch closures. They have to notify the appropriate federal banking agency 90 days before the closing date, and send a mailing to customers 90 days before closing. In addition, lenders must place a sign on the branch premises at least 30 days before the closing.

In the case of an interstate bank proposing to close a branch in a low- or moderate-income area, you can submit a written comment to the regulatory agency discussing the adverse effect of such a closing and requesting a meeting with regulators. If the federal agency concludes that the request is not frivolous, it will meet with community leaders and other organizations to explore the feasibility of getting alternative facilities and services for the affected area. Although the banking agency cannot intervene to prevent the closing if the bank has notified the regulators and the public, a formal comment can lead to a meeting, which provides a forum to express concerns and discuss alternatives for the community, such as the establishment of a new branch by another bank or the establishment of a community credit union.¹

The Woodstock Institute and the Chicago CRA Coalition have successfully used CRA agreements to prevent branch closures during bank mergers. They negotiated that no branches in low- and moderate-income communities would be closed for a certain time period after the merger of Old Kent and Pinnacle Bank. In the Coalition's CRA agreement with First Chicago and Banc One in July 1998, the banks agreed to open two new full-service supermarket branches in low- and moderate-income areas, and two additional full service branches in low- and moderate-income areas.

¹ Contact the National Community Reinvestment Coalition (NCRC) for assistance with regulatory protests:
733 15th Street, NW
Suite 540
Washington, DC 20005
v: (202) 628-8866
f: (202) 628-9800
www.ncrc.org

Between 1998 and 2002, the banks followed through on their commitment and opened the branches.

Establish a Community Development Credit Union

When the last bank left the Lower East Side of New York, the community organized to secure a commitment from the bank to capitalize a community development credit union to fill the financial services gap left by the banks.

The Lower East Side People's Federal Credit Union (LESPFCU), a federally-chartered and regulated nonprofit community development credit union for low- and moderate-income people on New York City's Lower East Side, was created as a result of intense grassroots community organizing against the 1984 closing of Manufacturers Hanover Trust, the last commercial bank in the neighborhood. LESPFCU received an initial capital deposit from the departing bank in 1986 and opened its doors soon thereafter. LESPFCU's mission is to encourage saving and make loans that contribute to the individual, commercial, and housing development needs of this low-income community. Since 1996, LESPFCU has also been certified as a Community Development Financial Institution (CDFI).

National Federation of Community Development Credit Unions (NFCDCU)
120 Wall Street, 10th Floor
New York, NY 10005
212-809-1850

Public Protest

If community leaders are not vocal about their concerns to the lender, regulators, and the community, the bank will close branches as quickly and as quietly as possible. Individuals and community organizations can protest to the bank and public about the bank's actions and their concerns. Protests can include letter-writing campaigns, street theater, picketing and demonstrations, and closing large accounts.

The different types of public protests require varying degrees of community mobilization. In Ireland, one resident of a community losing a bank branch went on a hunger strike until the bank agreed to place an ATM in the community. Betty Hyde, age 80, of Ottawa Canada, launched a letter-writing campaign directed at the President and CEO of the Royal Bank of Canada to protest a branch closure in her neighborhood. After being told no, she met the President of the bank at a luncheon where he spoke. Despite hearing no from the top to bottom of the corporation on several more occasions, she continued her letter-writing campaign and the bank agreed to hold a town hall meeting. The meeting resulted in the branch remaining open.

In other instances, entire communities mobilize in protest. For example, when Wachovia closed the branch in Northeast Durham, the City of Durham, the County of Durham, and Durham Public Schools all ended their banking relationship with Wachovia in protest.

Although protests do not need media coverage to be effective actions, media exposure can share the story with a broader audience. Banks are sensitive about their public image, so negative media exposure may force them to respond more readily to community concerns. We recommend that you contact the local newspaper about doing a story on the bank closing and the potential impact on the community. You can also write op-ed pieces or letters to the editor in the local newspaper to increase public awareness and convey your position.

CONCLUSION

Branch closings can hurt communities, particularly those that are already vulnerable. But, effective action can result in positive outcomes that mitigate harm. Even if you are unable to prevent a branch closure, your action can help ensure a result that meets the needs of the community. In the best cases, both the community and the bank will benefit. A win-win solution only comes from situations where communities take responsibility for advocating for themselves and corporations take advantage of a good opportunity to do the right thing for the community.

Success!!

In 1990, banks were leaving a low-income, minority neighborhood in Cleveland, Ohio. Community groups started letter-writing campaigns and picketed in front of the banks, denouncing the banks in the media for leaving the community behind. The action and media exposure created an environment that allowed the Faith Community Credit Union to secure a generous commitment from Society Bank, including the donation of a bank branch, furniture and an ATM. The bank's generosity helped with its public relations issues, earned it ongoing CRA regulatory credit, and was also profitable. The donated ATM, leased back to the bank for operations, generates three times the revenue it did prior to the credit union's management.

Visit their website at www.faithcommcu.com

We have a more heartening story in Ottawa. One of the branches the Royal Bank decided to close this year was on Beechwood Avenue, in a relatively well off neighborhood. Betty Hyde was furious about the closure of her branch. Her anger earned her some notoriety in Ottawa.

"This all happened because my friend and I decided to change banks. If you've ever changed banks you'll know that it's a tedious procedure," she explains. They went to the trouble of moving all their accounts and deposits and automatic bill payments from the Bank of Montreal across the street, because they heard the Royal, which had just moved in to the neighborhood, was nicer to seniors.

"For example, it has low counters with the tellers, I forget what they're called now, they're not called tellers anymore, but they're sitting behind the counter....which is really important for people who no longer spring up as readily as they once did. Also they provide large print cheques and for someone who is visually impaired as I am, large print cheques are a real help. And everything went merry as a marriage bell until we heard, not a year after we'd gone to all this trouble, that they decided to close the bank, the branch..."

Betty Hyde, 80 years old, four foot something, took on the Royal Bank. "I wrote a letter to Mr. Cleghorn, who's the president and CEO of the Royal Bank. And somebody told me, John E. Cleghorn, it's very important. With the result that I began signing myself Betty M. Hyde, on the grounds that we require you know, a level playing field."

It's a business decision, responded Cleghorn. Sorry about the inconvenience. So Mrs. Betty M. Hyde decided she would try to meet Mr. John E. Cleghorn at a luncheon he spoke at in Ottawa. "He was talking about banking in a very general way and also commented that 85 percent of their transactions are now electronic, of one kind or another," she says.

This is the exchange that took place at the luncheon:

Hyde: I want to speak to you about the 15 percent of us who don't use electronic banking, and 500 of us protested by petition the proposed closure of your bank on Beechwood, a neighborhood that is replete with seniors like myself who value the services of the bank and I wanted to hear what you had to say about those services which are being withdrawn.

Cleghorn: Well that particular branch, madam, I'm not sure of the details, we have 1600.

Hyde: I've written to you twice about this branch.

Cleghorn: I know, but I'm not that familiar with the details of that particular one.

Cleghorn then put her on to the bank's Ottawa-area vice-president: "And he said, I'd like to you meet our Vice President, Mr. Phelan, and I'm sure Mr. Phelan got the message: take this woman off my hands. And Mr. Phelan started off by saying to me very courteously but firmly, 'we are not going to change this decision, Mrs. Hyde.'"

When asked why the Beechwood branch was closed, Phelan doesn't mince words. "It didn't seem to us," he says, "that in the foreseeable future, based on what we knew at the time, the amount of business we were getting, the number of clients we had, that it was going to be able to turn a profit," explains Phelan. "Therefore I made the recommendation that was accepted, that the branch be closed." Phelan claims the bank was losing money.

"It seems to me that the Royal Bank has made enough money to be able to supply personal services to people who are in fact disappearing from the scene," says Hyde. "People of my age will die. We will be gone and they can keep the rest of you on bank machines as long as they like. But... they should be obliged to provide personal services for those of us who both want them and need them."

Betty Hyde doesn't give up. Her petitions and letters finally resulted in a town hall meeting, with the bank. This is what Phelan said at that meeting: "We feel very fortunate that someone like Mrs. Hyde didn't say 'Well look, if you want to close the darn branch go ahead and close it, there's a Bank of Montreal across the street, there's National Bank on the other side of the corner and there's a Caisse Populaire down the road. I don't really need you.' What Mrs. Hyde said to me, she said we want you to keep the Royal Bank on that corner because we want to deal with the Royal Bank. And to me that's very flattering."

Says Hyde, "And sure enough, on the eve of my 80th birthday, I got a call from... the Vice President, Mr. Phelan, to tell me that the bank had indeed changed its corporate mind and they were not going to close our branch."

"It does demonstrate that one or two people can make a difference. And one or two people can defeat a large corporation by annoying the life out of them. And I thought I would end by repeating a saying that I heard recently which says that if you feel you're too small to make a difference, you've never been in bed with a mosquito. Thank you."

Excerpt from "Bank Branch Closures", CBC, 10/6/1998, available at www.cbc.ca/consumers/market/files/money/bankclose.html

APPENDIX A: SURVEYS
Branch Customer Survey

We have learned that [bank name] may be closing branches in your community. We are interested in learning how branch closures may affect you as a customer.

How often do you use this branch?

- | | | |
|---|---|---------------------------------------|
| <input type="checkbox"/> Everyday | <input type="checkbox"/> Once a week | <input type="checkbox"/> Once a month |
| <input type="checkbox"/> 2-4 times a week | <input type="checkbox"/> Once every two weeks | <input type="checkbox"/> Rarely |
| | | <input type="checkbox"/> Never |

What types of services do you use the bank for? (check all that apply)

- | | |
|--|---------------------------------------|
| <input type="checkbox"/> Deposits/ Withdrawals | <input type="checkbox"/> Money Orders |
| <input type="checkbox"/> Cash Checks | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Loans | |

If [bank name] closes this branch, where will you do your banking?

- Different bank. What bank? _____
- Different branch. Where? _____
- Other. Specify _____

If the bank closes this branch, approximately how much farther will you have to travel to do your banking?

If [bank name] closes this branch, how would that affect your access to financial services?

- No change
- Increase access to financial services
- Decrease access to financial services

If the [bank name] branch were to close, what is the likelihood that the building will be sold to another business within one month?

- | | |
|------------------------------------|-----------------------------------|
| <input type="checkbox"/> Very High | <input type="checkbox"/> Low |
| <input type="checkbox"/> High | <input type="checkbox"/> Very Low |
| <input type="checkbox"/> Average | |

If the branch building is vacant, what impact will that have on the neighborhood or community?

Additional Comments: What should the bank do to ensure that the branch closing does not negatively affect you as a customer?

What should the bank do to ensure that the branch closing does not have a negative effect on the community?

Branch Closings Business Survey

We have learned that [bank name] may be closing branches in your community. We are interested in learning how branch closures may affect you as a business owner near a branch.

Name of business _____

What type of business? _____

How many employees do you have? Full-time_____ Part-time_____

What was your approximate revenue for 2001? \$ _____

How close are you to an existing [bank name] branch? _____

Do you use the [bank name] branch to do your banking? Yes_____ No_____

What types of services do you use the branch for?

- Deposit Account (checking, savings) Loans

If the [bank name] branch closes, where will you do your business banking?

Different bank. What bank? _____

Different branch. Where? _____

Other. Specify _____

How would you describe the economic environment for businesses in the area near the branch?

How would you describe demand for commercial buildings in the surrounding area?

- Very High – demand exceeds supply Low – supply exceeds demand
 High – tight market Very Low – businesses are moving out, lots of vacant buildings
 Average

If the [bank name] branch were to close, what is the likelihood that the building will be sold to another business within one month?

- Very High Low
 High Very Low
 Average

If the [bank name] branch were to close, how will it affect your business?

- No effect
 Negative effect – fewer customers
 Positive effect – more customers

What impact would a vacant building nearby have on your business?

- No effect
- Negative effect – fewer customers
- Positive effect – more customers

How would a vacant building affect the community?

Additional Comments: What should the bank do to ensure that the branch closing does not negatively affect you as a business owner?

What should the bank do to ensure that the branch closing does not have a negative effect on the community?

Branch Closings Economic Developer Survey

We have learned that [bank name] may be closing branches in your community. We are interested in learning how branch closures may affect economic development in your community.

What counties/cities do you serve? _____

Has [bank name] been involved in economic development projects in your area? Yes____ No____

Have local [bank name] branches been involved in working with you?

Yes___ No___

If yes, how has the bank worked with you?

How would you describe the economic environment for businesses in the area surrounding the branches?

How would you describe demand for commercial buildings in the area surrounding the branches?

- Very High – demand exceeds supply
- High – tight market
- Average
- Low – supply exceeds demand
- Very Low – businesses are moving out, lots of vacant buildings

If the [bank name] branch were to close, what is the likelihood that the building will be sold to another business within one month?

- Very High
- High
- Average
- Low
- Very Low

If the [bank name] branch were to close, how will it affect local businesses?

- No effect
- Negative effect – fewer customers
- Positive effect – more customers

If the [bank name] branch were to close, how will it affect economic development in the area around the branch?

- No effect
- Negative effect
- Positive effect

Are there any areas/neighborhoods where a branch closure would particularly concern you? Yes_____ No_____

What neighborhoods? _____

Why?

What should the bank do with the branch buildings?

What type of business would you like to see in the building?

How would a vacant building affect the community?

Additional Comments: What should the bank do to ensure that the branch closing does not have a negative effect on the local economy?

What should the bank do to ensure that the branch closing does not have a negative effect on the community?

APPENDIX B

THE FACTS ON THE IMPACT OF BRANCH CLOSURES²

Individual Impacts

- Additional travel and security issues;
- Savings patterns disrupted with average difference of \$400 per month;
- Larger cash withdrawals and consequent security issues;
- Loss of investment income;
- Difficulties in obtaining credit;
- Increased need for credit from local businesses;
- Check cashing difficulties;
- Lack of access to financial advice.
- These impacts are likely to be further worsened for people with disabilities, the elderly and low-income consumers.

Business Impacts

- Increased use of check cashing by customers;
- Loss of cash sales;
- Accumulation of excess cash;
- Increase in bad debt;
- Delays in depositing checks;
- Increased security concerns and risks;
- Difficulties in obtaining cash and change;
- Farming businesses may be particularly disadvantaged by the loss of bank staff with intimate knowledge and experience in rural banking matters.

Community Impacts

- Average decrease in spending by individuals after closure of bank branch in their town put at \$320 per month;
- Changes to financial environment in town post branch closure also leads to loss of financial investment in town;
- Direct job losses of around four jobs per branch;
- Indirect job losses and loss of expertise from towns.

² Taken from Financial Sector Union (FSU) Australia at <http://www.fsunion.org.au/article.asp?artid=3255>.



In Washington, DC, this former First Union Bank branch was converted into a payday lending outlet.