



*Advancing Economic Security
and Community Prosperity*

November 27, 2018

TIME SENSITIVE

Paul Ginger
Community Affairs Officer
Office of the Comptroller of the Currency
Central District Office
440 S. LaSalle Street, 27th Floor
Chicago, IL 60605

Re: PNC Bank's CRA Performance

Dear Mr. Ginger:

On behalf of Woodstock Institute,¹ I am writing to express concerns about PNC's performance under the Community Reinvestment Act. Our concerns are focused in three areas: (1) the closure of PNC's Rockford Southgate branch in Rockford, Illinois, on July 20, 2018; (2) PNC's investments in the Rockford community; and, (3) PNC's responsiveness to community needs. We would like this letter to be made part of PNC's public CRA file and to be considered in the context of PNC's current performance examination under the CRA.

1. Branch Closure

Core Finding: PNC failed to take steps to lessen the negative impacts of the branch closure on the community. These impacts will disproportionately harm lower-income and older people.

PNC closed a branch located at 1551 Sandy Hollow Road in Rockford, Illinois, (Southgate) on July 20, 2018. The branch is located in a moderate-income neighborhood as defined by the FFIEC. The median family income in the branch's census tract is \$34,485. Sixteen percent of the community is over age 60.

¹ Woodstock Institute is a leading nonprofit research and policy organization in the areas of equitable lending and investment, wealth creation and preservation, and access to safe and affordable financial products and services. We work locally and nationally to create a financial system in which lower-wealth persons and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity. Our key tools include: applied research; policy development; coalition building; and technical assistance. Woodstock plays a leading role on reforms regarding payday and other high-cost lending, currency exchanges/check-cashers, debt collection, public fines and fees, children's savings accounts, and retirement savings programs for private sector workers. Woodstock also plays a leading role in helping to ensure banks invest in and provide safe and affordable services to LMI communities, communities of color, people with disabilities, and older people.

Concerned about the community's continued access to banking services, Woodstock tendered a set of questions to PNC on May 30, 2018 (the "First Set of Questions" – attached). PNC tendered answers on June 29, 2019 (the "PNC Answers" – attached). In the PNC Answers, PNC expressed that it hoped that its customers would continue to bank with PNC, citing the presence of four other PNC branches in a five-mile radius of the Southgate branch. PNC stated that it had conversations with customers in anticipation of the closure, but the bank did not put forth any evidence, research, or data to support its hopes as to how its customers would access banking services in the future. In the 11 follow up questions that we tendered on July 10, 2018 (the "Follow Up Questions"), we asked, "Have you surveyed your customers or done other research to determine how [your customers] intend to access banking services after the branch closes?" The bank did not reply.

Recent research points to the continued importance of bank branches. According to the *2017: FDIC Survey of Unbanked and Underbanked Households*,² which was released on October 23, 2018, visiting bank tellers continues to be the most common method used by banked households to access bank accounts. The FDIC finds that, even though the use of mobile banking is increasing, the use of bank tellers remains "quite prevalent, particularly among segments of the population that had higher unbanked and underbanked rates." Further, branches provide services that may not be available through ATMs or mobile devices, such as help completing loan applications or sending remittances. The PNC Answers stated that 64 percent of PNC's total consumer customers use "non-teller channels" for the majority of their transactions and that "a little more than half" of deposits come via ATM and mobile channels. These data point to the importance of non-teller channels, but they do not dispel concerns about the negative impact of the branch closure on LMI individuals and other underserved populations in Rockford Southgate.

Given that lower-income people are among the segments of the population that have higher unbanked and underbanked rates, the FDIC survey supports the conclusion that branch closures disproportionately impact them. This impact is exacerbated even further for older adults. (PNC refused to provide us with information about the percentage of customers at the Southgate branch over 60, so the scope of the impact of the branch closure on older adults in the Southgate area is unknown.) It is well known that, even though technology adoption is climbing among older adults, many older adults refuse or are unable to use the internet to bank or conduct financial transactions. A recent report by the Pew Research Center offers a thorough look at the issue of tech adoption.³ Pew reports that, according to a survey, one-third of adults age 65 and older say they never use the internet and half say they do not have broadband services at home. As for smart phones, the proportion of seniors who say they own a smartphone is 42 percent lower than for those ages 18 to 64.

Bank branches have impacts beyond customers' access to their bank accounts. As the article *Do Bank Branches Still Matter* explains, branch closings have a prolonged negative effect on small business

² FDIC, *2017: FDIC Survey of Unbanked and Underbanked Households* at <https://www.economicinclusion.gov/surveys/2017household/account-type-access-methods-bank-branch-visits-findings/> (Oct. 23, 2018).

³ Anderson, Monica and Andrew Perrin, Pew Research Center, *Tech Adoption Climbs Among Older Adults* (May 17, 2017). <http://www.pewinternet.org/2017/05/17/tech-adoption-climbs-among-older-adults/>

credit.⁴ A branch closing reduces the number of new small business loans by 13 percent for several years, and the decline is concentrated in low-income and high-minority neighborhoods.

When Brent Adams, Woodstock's Senior Vice President of Policy & Communication, raised the issue of older adults during a phone conversation with Thurman ("Tony") Smith, PNC's Senior Vice President for Community Development Banking, on July 20, 2018, Smith dismissed the concern, saying, among other things, "Dory and I are seniors! We get around fine!" For seniors with mobility issues and for seniors who have not adopted mobile banking, the loss of a local branch is a major issue. This concern is common sense and at least once community stakeholder voiced the concern during a meeting (the "Community Meeting") that was held on September 24, 2018, between PNC and community groups (the "Community").

The Community Meeting led to the creation of a proposed community benefits agreement (the "Proposal" - attached) that included various steps that could lessen the impacts of the branch closure. In addition to proposing that the bank open a new branch in an LMI neighborhood with a high concentration of seniors, the Proposal offered items that would have required relatively limited resources, including establishing an ATM in Rockford Southgate, waiving or reimbursing fees during a limited transition period for PNC customers of the former Rockford Southgate branch who are charged for using non-PNC ATMs, scheduling hours to be present and available at local community organizations, and holding educational seminars to help Rockford Southgate PNC customers develop and follow a plan to transition from Rockford Southgate PNC to another PNC branch or another bank branch in the community. PNC refused to respond to any of these proposed action steps.

2. Investments

Core Finding: Assuming PNC's investments for 2016-2018 are CRA-eligible, the amount of investments in Rockford is adequate. Woodstock lacks data and information necessary to assess whether the investments are responsive to local needs.

As you know, PNC was rated "Needs to Improve" for Illinois on its last CRA exam. With respect to Rockford, the exam found that investment performance in Rockford was "very poor." In the PNC Answers, PNC stated that it had made "more than \$16.7M in CRA eligible loans and investments" in the last few years. After initially refusing to be more specific about PNC's investment levels, PNC stated that the total amount of investments for 2016-2018 was \$16.9M - split almost evenly between \$8.5M for loans and \$8.4M for investments (the "PNC Clarification" – attached). This investment level represents a substantial increase over the level during the last exam period. For the last exam period, the investment level for Rockford was only \$152K.

3. Responding to Community Needs

Core Finding: PNC was largely uncooperative with the Community by categorically refusing to respond to the Proposal. Refusing to engage in a dialogue with the Community, PNC chose instead to reach out to individual stakeholders.

⁴ Hoai-Luu Q. Nguyen, *Do Bank Branches Still Matter? The Effect of Closings on Local Economic Outcomes* (Dec. 2014). <http://economics.mit.edu/files/10143>. A later version of this study was published in October, 2015, by the University of California at Berkeley.

After receiving the PNC Answers, Woodstock sent the Follow Up Questions. The Follow Up Questions, among other things, asked PNC to identify the “key stakeholders” and “neighborhood groups” referenced in the PNC Answers. On July 20, 2018, Smith and Adams discussed the Follow up Questions via phone. The only “stakeholder” that Smith could name was the Chamber of Commerce. (None of the 10+ groups that Woodstock contacted during this process indicated that PNC had contacted them about the branch closure.) Further, Smith stated that PNC would not provide written responses to the Follow up Questions and that, instead, Smith would give the answers to Adams over the phone. According to Adams, it was clear Smith had not read the PNC Answers or the Follow-Up Questions. For example, Smith said PNC would not provide a copy of the closure notices that the bank sent to customers even though the PNC Answers said the notices were attached. Smith’s lack of knowledge regarding the PNC Answers became evident more than once. For example, when Adams asked Smith in an e-mail for specific amounts and time frames with respect to PNC’s CRA-eligible investments, Smith said, “We don’t publish those numbers. The OCC reviews the list and determines which are CRA eligible. We do not preempt their analysis but do try to invest within their guidelines” (PNC Clarification). Only after Adams pointed out that PNC had already provided him with a number did Smith agree to give more information.

As for the refusal to provide written responses to the Follow Up Questions, it is impossible to hold the bank – or anyone for that matter – accountable for words said in private. “Get it in writing” is an adage particularly applicable to this type of situation. Moreover, Woodstock works in coalition. Our Rockford CRA worked is intended to help lift up community voices in Rockford. Accordingly, information about bank activities that will affect the community should be either communicated in writing so that they can be shared with the community or conveyed in a group setting where the other stakeholders can hear and respond. Therefore, Adams suggested a meeting with community stakeholders, and Smith agreed.

The Community Meeting was held on September 24, 2018. Fourteen individuals representing community-based organizations and local governments attended. In addition to Woodstock, there were representatives of AARP, HomeStart, Rockford Local Development Corp., Habitat for Humanity, Region 1 Planning Council, City of Rockford, Winnebago County, Shelter Care Ministries, and YouthBuild Rockford. Smith and Paul LaBonne, Vice President for Community Development Banking, attended on behalf of the bank. Adams facilitated the meeting during which members of the Community described certain local needs. The issue of whether PNC has a “Bank On” account was raised during the meeting. PNC said it had a Bank On product. It does not. Accounts certified as meeting Bank On National Account Standards are listed on the Bank On website.⁵ Adams closed the meeting by saying that a proposal would be forthcoming. Woodstock tendered the Proposal via e-mail on November 1, 2018, and gave a deadline of November 15, 2018, for a response. PNC did not respond by the deadline, but rather, Smith set up a meeting with me, Woodstock’s President.

In his meeting with me, Smith stated that PNC had no intention of entering into a CBA or setting a precedent for entering into a CBA. He claimed that PNC is doing fine in all of its major areas in Illinois, and that Rockford is a “tertiary area.” He said that PNC has greatly improved its investments in Rockford since receiving the “Needs to Improve” rating in 2012, but refused to share any “proprietary” information to document that. Smith said we could see it in the forthcoming CRA performance exam, which he says is almost complete.

⁵ <http://joinbankon.org/coalitionmap/>

I pointed out that several banks had entered into CBAs, such as Key Bank, Huntington Bank, and Fifth Third Bank. He replied by saying that only banks that are performing badly enter in CBAs. I pointed out that the CBA helped Fifth Third get back to an Outstanding rating. Smith said he didn't think that was due to the CBA. Notably, Fifth Third's recent announcement⁶ that it was adding \$2B to a \$30B CBA came *after* Fifth Third received its Outstanding rating.

In response to an e-mail inviting PNC to provide a written statement for purposes of this letter, Smith sent an e-mail (attached) confirming the bank's rejection of the Proposal but expressing, at the same time, a willingness to collaborate.

4. **Conclusion**

The CRA does not require banks to enter into CBAs, but it surely encourages, if not expects, banks to cooperate with the community in the process of identifying and responding to local needs, particularly after a bank has received a failing grade. To the extent PNC worked cooperatively with the Community, it was reluctant. Disappointingly, PNC refused – as a matter of principle – to respond to the Proposal or to the items contained in it. We hope the OCC will take this situation into account when grading PNC, and will use this situation as an opportunity to assess and clarify the degree to which the CRA envisions cooperation with the community.

Very truly yours,



Dory Rand
President

cc: Barry Wides
OCC Large Bank Licensing Lead Expert
Tony Smith

⁶ <http://www.woodstockinst.org/news/press-release/fifth-third-commits-additional-2-billion-benefit-underserved-chicago-communities/>