DVRPC WHITE PAPER

The Great Consolidation: Community Banking Decline in Greater Philadelphia

June 2024

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Table of Contents

Introduction 2

Key Terms 3

Community Banking and the Great Consolidation 5

The Great Consolidation in Greater Philadelphia 11

Mitigating the Impacts of the Great Consolidation 22

Conclusion 27

Endnotes 28

Sources 32

Figures

Figure 1: Deposit Growth Rate, Year-Over-Year Changes (2020, 2021) 5
Figure 2: Total Number of Community Banks in the United States (2012, 2019) 7
Figure 3: Average Annual Net Closures of Bank Branches for PA, NJ, DE 7
Figure 4: Annual Average De Novo Bank Charters 8
Figure 5: Percentage of Total SBA 7(a) Loans (2012, 2019) 9
Figure 6: Total Number of Unique Banks Operating in Greater Philadelphia by County (2012, 2022) 11
Figure 7: Total Branches for the Five Largest Banks, by Footprint, and All Other Banks (2012, 2022) 11
Figure 8: Total Bank Branches by County (2012–2022) 13
Figure 9: Total Community Bank Branches by County (2012–2022) 13
Figure 10: Community Bank Branches as a Share of All Branches by County (2012, 2022) 14
Figure 11: Total Community and Noncommunity Bank Branches in the Region's Retail Districts, by Year 15
Figure 12: Estimated Lost Wages Due to Loss in Teller Positions in Greater Philadelphia from 2012 to 2022 16
Figure 13: Share of Community and Noncommunity Bank Branches Located in Census Tracts with Above-Average IPD Scores (2012, 2022) 17
Figure 14: Share of Branches Located in Census Tracts with Above-Average Concentrations of Low-Income Populations by County (2012, 2022) 18
Figure 15: Share of Branches Located in Census Tracts with Above-Average Concentrations of Racial Minority Populations by County (2012, 2022) 19
Figure 16: Transit-Oriented Branches as a Share of All Branches by County (2012, 2022) 20

Maps

Map 1: Bank Branch Status as of 2022 12
Map 2: Transit-Oriented Bank Branch Status as of 2022 21

Introduction

The decline in community banking and access to local capital continues to shape the composition of our region's downtowns, main streets, and retail districts. An analysis of 71 retail districts in Greater Philadelphia found that from 2013 to 2020, the total number of community bank branches located in these districts decreased from 35 to 30 branches, and since 2020, that total declined even further to 25 community bank branches. This trend is concerning due to the important role that community banks play in local economies, as demonstrated through findings from a comprehensive study of community banking by the Federal Deposit Insurance Corporation (FDIC), which "examined the characteristics, trends, strengths, and challenges of community banks relative to noncommunity banks" and stressed the important role that these institutions play in the economy.[1]

As DVRPC's report *Cultivating a Homegrown Economy* states, investing in local assets and institutions "puts economic control back into the hands of local communities in an era of increased globalization, and leverages a community's unique culture and sense of place."[2] Furthermore, local decision-making within the financial industry will also play a critical role in advancing the goals of the region's long-range plan, *Connections 2050*. This is especially true as it relates to the plan's aim at "increasing economic mobility, and supporting racially and socioeconomically integrated communities."[3] Similar goals are also outlined in the Comprehensive Economic Development Strategy (CEDS) for the region, *Growing Greater Philadelphia*, which advocates for more equitable economic development.[4]

This paper seeks to provide nuance to, and reinforce goals of, the long-range plan, as well as the CEDS, and build on other previous work from DVRPC by:

1. Providing an understanding of the decline of community banking at the national, state, and regional levels;

2. Highlighting the positive impacts that community banks have on local communities and the services they offer to families, entrepreneurs, and small businesses;

3. Exploring the ways in which the decline in community banking manifests across the nine-county Greater Philadelphia area; and

4. Suggesting 11 local strategies that can be employed to offset negative effects of this trend either by:

    i. Increasing Access to Financial Services,
    ii. Empowering the Workforce, or
    iii. Addressing Vacancy.

Key Terms

Automated Teller Machine (ATM) – Unmanned technological device, that provides limited cash withdrawal and deposit services to customers.

Bank Desert – According to the Federal Reserve Bank of Philadelphia, a "census tract that has no branch within a defined radius of the tract's center of population."[5]

Commercial Real Estate (CRE) Loans – According to the FDIC, funding provided for the acquisition, development, and construction of income-producing real estate.

Community Bank – Generally, a financial institution that serves customers by holding deposits and offering loans, within a limited geographic area. According to the FDIC, asset-size, number of offices, geographic reach, and loan to deposit ratio are all factored into the official definition. However, for the purposes of this study, the asset-size of less than $10 billion, at the bank's organizational level, was used to identify community banks for analytical purposes. Examples of community banks that were lost in the Greater Philadelphia since 2012 include the Bryn Mawr Trust Company, National Penn, and Prudential Savings Bank. Whereas community banks such as Ambler Savings Bank, Penn Community Bank, and United Savings Bank were still operational as of 2022.

Community Reinvestment Act (CRA) – Approved 45 years ago as a landmark legislation and enforced by the Federal Reserve, financial institutions are required to actively support their immediate communities with equitable access to credit and other financial services vital for development purposes.

Community Development Financial Institutions (CDFIs) – Certification for financial institutions granted by the Department of the Treasury. In order to be designated a CDFI, a financial institution must initiate lending for development and conduct 60 percent of its overall financial services in low- to moderate-income and underserved communities.

Core City – As defined in DVRPC's long-range plan, *Connections 2025*, the region's four core cities are Camden, Chester, Philadelphia, and Trenton, and they serve as critical employment, cultural, commercial, and educational centers.

Credit Union – Unlike a bank, credit unions are nonprofit financial institutions that require membership in order to access their products and services, and are themselves owned by their members. Often membership eligibility is contingent upon a set of criteria, and may require a fee.[6] For these reasons, credit unions are not a focus of this report.

De Novo Charter – Term used to describe a newly-formed banking organization, as opposed to changes in management, governance, and ownership that are prevalent in mergers and acquisitions.

Developmental Lending – FDIC's 2020 Community Bank Study classification for loans pertaining to commercial real estate, industry, and construction.

Digital Divide – Term used to describe the gap between the share of the population with access to, and the skills and tools necessary to utilize, digital technologies, and the share of the population without.

Dodd Frank Act – Federal legislation passed in the aftermath of the Great Recession of the early 21st Century that vastly increased regulatory oversight and compliance mandates of financial institutions.

Federal Deposit Insurance Corporation (FDIC) – An independent agency established to ensure public confidence in the financial system and banking network across the nation. Serving a supervisory role, the agency guarantees the redemption of deposits and regulates lending activity.

Federal Financial Institutions Examination Council (FFIEC) – Interagency alliance tasked with oversight and prescriptive capacity to ensure uniformity across the financial system. Includes representation from the FDIC, Federal Reserve Bank, Office of the Comptroller of the Currency, Financial Protection Bureau, and other agencies.

Financial Inclusion – Phrase describing a group's, or individual's, access to and capacity to utilize professional financial services, such as banking platforms, to maintain and advance their economic well-being.

FinTech – Refers to the use of automation and algorithms to render financial services, as well as those companies and financial institutions that operate entirely in this space.

Great Consolidation – A long-term trend, initiated by the reduced barriers to interstate banking in the 1990s, where banks comparable in size and capacity have merged and large corporate entities have acquired smaller competitors. This prolonged movement has drastically diminished the quantity and diversity of banking organizations and redistributed the stock of branch locations.

Great Recession – Prolonged period of financial crisis and economic decline from 2008–2009 leading to widescale regulatory reform of the banking industry.

Interactive Teller Machine (ITM) – Similar to ATMs, this financial equipment features platforms for virtual consultations with remote representatives in real time.

Low- and Moderate-Income (LMI) Households – Commonly-used classification for disadvantaged families; aggregates moderate-income households at 50 to 80 percent of median income levels and low-income households earning less than 50 percent of the median income for a specified geographic area.

Paycheck Protection Program (PPP) – Contained within the Coronavirus Aid, Relief, and Economic Security Act, federal funding extended to small businesses to meet payroll obligations to employees during the pandemic's economic shock.

Relationship Lending – A banking approach by which the financial institution considers a variety of qualitative factors, usually marked by interpersonal connection with the borrowing individual or business, in the decision-making process for extension of loans.

Small-Dollar Unsecured Loans – Loans that range from $500 to $5,000 and are extended without a collateral requirement on the borrower.

Soft Information – Component of 'relationship lending' that is considered a comparative advantage of community banks over their 'megabank' competitors. Knowledge of the prospective borrower's character and work ethic is an example.

Tele-Banking – Method of obtaining financial services through a digital platform at a remote location.

Transactional Lending – The preferred framework for assessment and processing of loans for large banks. As opposed to criteria gathered from relationship-based methods, this approach leverages algorithms and highly objective metrics in determining loan approvals.

Unbanked – Those that do not possess a checking or savings account with a sanctioned financial institution.

Community Banking and the Great Consolidation

The decline in community banking is a nationwide trend within the financial services industry, and it is one manifestation of what is formally referred to as the Great Consolidation.[7] In order to understand why this trend is of concern in Greater Philadelphia, it is important to first discuss the benefits of community banking, as well as the forces behind and socioeconomic impacts of, the Great Consolidation.

The Community Bank

A bank is defined as an institution that provides financial services to a customer market. Regardless of size, all banks operate within the framework of a balance sheet, performing two basic functions: holding deposits and extending loans.

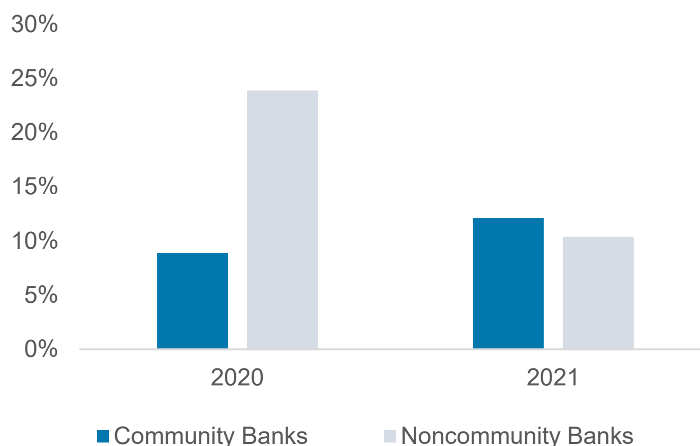
The FDIC first formally defined the term "community bank" in its 2012 *Community Bank Study*, and drew the distinction between community and noncommunity banks based on a strict asset size cut-off of $10 billion, a complex catalog of objective criteria, or by a more qualitative assessment of scope and services. For the purposes of this paper, community banks are defined as those institutions with assets less than $10 billion, regardless of the financial organization's quantity of branches, geographic reach, and other measurable characteristics.

While there are far more community than noncommunity banking institutions in the United States, in terms of total industry assets and total lending, community banks account for just 12 percent and 15 percent, respectively. Despite lower asset holdings, community banks serve as a key funding source for local businesses, especially those in need of commercial real estate loans.[8] This paper will focus on the decade that has passed since the FDIC first defined the "community bank," with additional emphasis on the pandemic years (2020–2022).

Social and Economic Benefits of Community Banks

Community banks are responsible for a sizable percentage of small business lending activity, even outperforming noncommunity banks in certain types of small business lending. They are able to support business development in periods of economic growth and can provide stability during episodes of economic disruption and uncertainty.

Figure 1: Deposit Growth Rate, Year-Over-Year Changes (2020, 2021)



Source: FDIC, 2022.

In December 2020, the FDIC pledged continued support to locally focused financial institutions, recognizing that community banks are integral to the financial well-being of the public. FDIC chairperson, Jelena McWilliams affirmed the vitality of community banks' contributions to the economy, stating that "…community banks play [a critical role] in providing loan and deposit services to customers throughout the United States."[9] In fact, the FDIC *Summary of Deposits Survey* indicated that deposits increased nationally by 10.7 percent, from $15.5 trillion to $17.2 trillion, over the course of the 2021 fiscal year. As shown in in Figure 1, the growth rate in 2021 was higher for community banks than noncommunity banks, at 12.1 percent and 10.4 percent, respectively.

Commercial Lending

According to the FDIC, "community banks focus on loans that may take more analysis and require an understanding of the business and [its] owner,"[10] and the Community of State Bank Supervisors (CSBS) Survey[11] results found that the "average loan size for community banks was about three times that of noncommunity banks." Community banks extended loans averaging $54,200, while noncommunity banks approved loans averaging $14,700 to their small business customers. Furthermore, as a percentage of asset holdings, community banks' total lending exceeded that of noncommunity banks, with a spread of 9.3 percent.[12]

According to the CSBS' survey results, community banks offer a wide range of vital financial services. Of the 498 respondents to the survey, one-third provide wealth management services, 61 percent offer cash management services, and over three-quarters extend small-dollar unsecured loans.[13] The FDIC reports that community banks account for 15 percent of loans within the entire banking industry, yet 36 percent of small business loans, a relatively higher share. Community banks also originate 30 percent of Commercial Real Estate (CRE) and 70 percent of agricultural loans.[14]

Smaller banks are not merely competitive with, but also exceed, larger banks in CRE loan originations. Across the spectrum of commercial development, local and regional banks hold a greater market share in four of six categories, and a 10 percent advantage in aggregate spread. Forecasters contend that the "share of community banks considered to be CRE specialists" has increased slightly from 24 to 26 percent from 2011 to 2019. During the same period, community banks' market share of CRE lending has increased from 51 to 58 percent.[15] Through the CRE lending channel, community banks are key contributors to community development.

Community banks also strengthen local economies by "lending in times of distress."[16] These more modestly sized institutions perform better and prove more resilient to shocks, as evidenced by their ability to disburse Paycheck Protection Program (PPP) loans.[17] PPP loans were federal funding that was extended to small businesses during the pandemic to help them meet payroll obligations. During the first stage of the PPP, "lending per small business establishment was greatest in states where community banks held a larger share of bank branches."[18] Community banks were by far the most prominent players in the granting of PPP loans, with a participation rate of 77 percent, exceeding loans (by volume) granted by noncommunity banks, and disbursing over $100 billion in value.[19] Overall, community banks are more nimble decision-makers and able to implement actions more efficiently than noncommunity banks.

Mortgage Lending

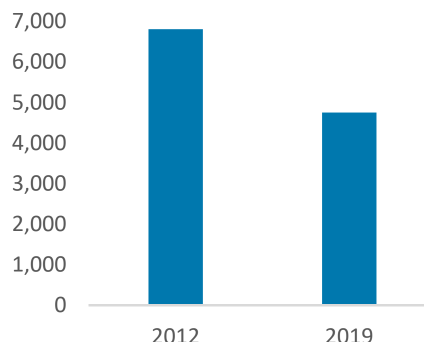
According to the Board of Governors of the Federal Reserve System, community banks are more likely to lend less conventional mortgages than noncommunity banks, and assume the associated risk(s).[20] These banks are personally, and financially, invested in the communities in which they operate. Grounding their service model in qualitative decision-making practices over more uniform processes determined by quantitative metrics, community banks differentiate themselves from noncommunity banks.[21]

Community banks maintain a comparative advantage in "relationship lending" practices over their corporate peers. The results of which can be seen in Housing Mortgage Disclosure Act (HMDA) data, which provides insight into the important role that community banks play in mortgage lending and homeownership. When compared to larger banks, community banks have larger shares of home-purchase loans, which is especially true in terms of low- and moderate-income borrowers specifically. Community banks are also more likely to lend in low- and moderate-income neighborhoods than noncommunity banks.[22]

The Great Consolidation

The structure of the banking landscape has been changing for decades and community banks have been in a steady state of decline during a period known as the "Great Consolidation." During this period, "megabanks," the most dominant players in the sector, have been buying out their more modestly sized competitors.[23] Nationally, between 2012–2019, community banks decreased from 6,802 to 4,750, or over 30 percent, as shown in Figure 2. Noncommunity banks have also experienced a sharp rate of decline at approximately 23 percent.[24]

Figure 2: Total Number of Community Banks in the United States (2012, 2019)

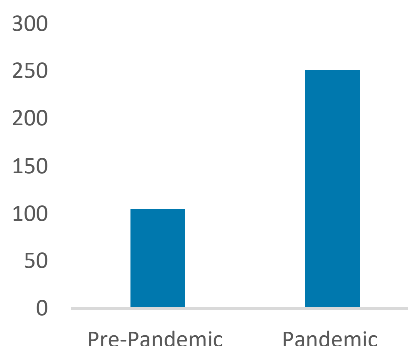


Source: FDIC, 2020.

Since the 1980s, two-thirds of banks have closed their doors, with local institutions consumed by large corporations. More recently, from 2017 to 2021, 7,500 branches, accounting for 10 percent of physical bank locations throughout the United States have been shuttered. One-third of these closures has taken place in low- to moderate-income (LMI) neighborhoods.[25] According to the FDIC, 3,380 brick-and-mortar branches closed from 2019 to 2021 alone, a historic net loss rate of over 4.25 percent. Losses were observed across all census categories at rates of 5.6, 4.6, and 3.3 percent, for metropolitan, micropolitan, and rural regions, respectively. Community bank closures were more prominent in metropolitan areas, while noncommunity bank branch closures were more common in rural areas.[26]

These national trends are evident at the state and regional levels as well. In February 2023, the Federal Reserve Bank of Philadelphia, which governs Pennsylvania, New Jersey, and Delaware, published a report, *Bank Branch Closures and Banking Deserts in the Third Federal Reserve District States*, analyzing the impact of bank branch closures on societal access to financial services. The report describes the prevalence of "bank deserts" across the three-state region of Pennsylvania, New Jersey, and Delaware. In 2024, through its Fed Communities program, the Federal Reserve published its interactive Banking Deserts Dashboard, identifying the locations of these deserts throughout the United States.[27] In comparing the pandemic years to the pre-pandemic era of 2009–2019, bank branch closures doubled, as Figure 3 depicts. During the pandemic period, community banks experienced a net loss of 4 percent to their network of branches.[28]

Figure 3: Average Annual Net Closures of Bank Branches for PA, NJ, DE



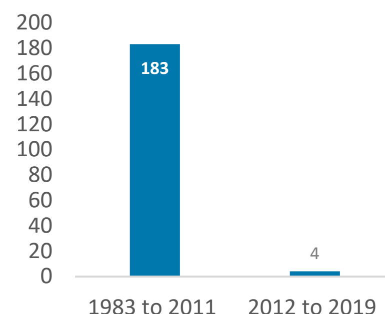
Source: Federal Reserve Bank of Philadelphia, 2023.

Two major factors have strained community banks: (1) the progression of mergers and acquisitions and (2) the increased financial costs resulting from Dodd-Frank regulations passed into law in 2010. In fact, respondents to the CSBS survey cited that the cost-burden of compliance with regulatory requirements continues to significantly affect profit.[29] As opposed to megabanks that can more easily absorb the financial costs of regulatory compliance tests through scaled operations, smaller banks, like community banks, feel the shock of expensive requirements more acutely.[30] Combined, community and noncommunity banks acquired 1,068 banks from 2012 to 2019.

In 2022, the Federal Reserve described the current banking industry landscape as being marked by declines in newly chartered financial institutions, often referred to as de novo charter, and bank branch closures, at rates of 20 percent and 4 percent, respectively. De novo formations are down and closures have increased as the return on investment has been squeezed by the added costs of satisfying compliance standards and staffing risk management talent. Figure 4 highlights the stark contrast in de novo charters issued prior to, and following, the economic shock of the Great Recession (2008–09).

New entrants to the industry, such as fintech organizations, consistent merger and acquisition activity, and contraction of community banks will continue to challenge the community banking model. Despite these realities, community bank managers expect the demand for "relationship-based lending" to increase at a greater rate than for "transactional" services in the present economy.[31]

Figure 4: Annual Average De Novo Bank Charters



Source: Federal Reserve System, 2021.

Social and Economic Implications

The increased bank loss rate carries with it a direct impact on the labor force. Brick-and-mortar bank branches provide jobs for front-line financial industry professionals, including tellers, loan officers, and branch managers.

Groups that do not have access to brick-and-mortar bank branches, or that fall on the wrong side of the digital divide, face a disadvantage in personal financial management and the pursuit of wealth. Ultimately, the Great Consolidation can affect three levels of society:

1. Communities may experience greater barriers to funding when institutions charged with the authority to distribute financial resources leave their neighborhoods;
2. Small businesses that sustain those communities with economic activity and cultural identity also lose reliable access to capital; and
3. Residents have fewer financial service options, may ultimately have to travel further to access those services, and may have a harder time obtaining a mortgage.

Workforce and Employment Implications

Bank branch closures impact many different components of society, including customers, shareholders, and employees. According to Statista, as of 2022, there were more people employed by FDIC-insured banks than at any point in history, despite an increase in bank branch closures.[32] However, due to the labor costs and the development of technologically efficient alternatives, the banking industry has decreased reliance on human capital, and associated costs, by cutting "front-office employment." The number of people employed in these roles has declined every year since 2014, and indicators suggest a continuation of this trend. For example, one of the largest noncommunity banks in the nation has a ten-year strategic plan to eliminate the teller position and cut over 200,000 more jobs.[33] Banks have shown their commitment towards this replacement strategy by investing $150 billion per year in developing "labor-saving" automated processes and machinery, according to a Bloomberg report.[34]

Banks continue to employ technological advancement to leverage the growing capacity of artificial intelligence in its service-delivery platforms. In a 2022 article, Forbes stated that "no industry in America is spending more on ways to eliminate the human factor than banks."[35]

Bank Tellers

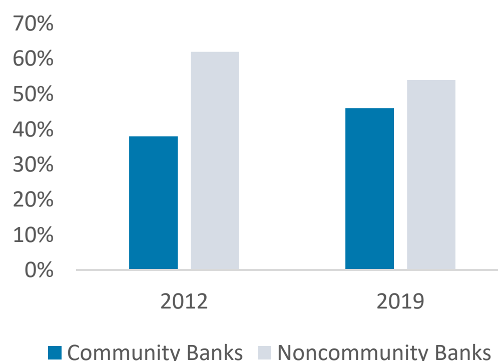
According to the Bureau of Labor Statistics (BLS) bank tellers often need only a high school diploma and earn a mean annual wage of approximately $36,000 per year (2022)[36]. Bank tellers serve as front-line workers in a bank's employee network, but unfortunately, there is significant risk of automation. The Federal Reserve Bank of Philadelphia's 2018 report, *Automation and Regional Employment in the Third Federal Reserve District*, highlighted employment types and measured the "predicted risk of automation"[37] for commonly held occupations. Bank tellers were tied at the top of the list at 98 percent.

A recent Capco study found that 63 percent of customers "indicated a desire for one-on-one personal conversations with bank representatives [over] tech-mediated communications channels," but banks continue to drive automation forward.[38] The BLS forecasted that the total number of teller jobs would decline by approximately 8 percent by the year 2026.[39] From 2017 to 2021, national bank teller jobs had already decreased from 502,700 to 381,000, marking a 24 percent decrease over just four years. The BLS' most recent ten-year outlook projects a 12 percent decline, accounting for the loss of an additional 43,700 teller jobs.[40]

Community Bank Lending

Community banks are key providers of small business loans and vital resources for small businesses needing credit.[41] They are often best positioned to set new businesses on the path to success and sustainability. This is particularly important given that "small businesses make up over 99 percent of U.S. employer firms, almost two-thirds of net new private-sector jobs, [and] roughly half of private-sector employment."[42] The 2022 CSBS survey found that approximately 65 percent of community banks offer Small Business Administration (SBA) loans,[43] where community banks provide more than half of all small business loans, outperforming their corporate competitors. This is further supported by FDIC data shown in Figure 5.[44] In 2012, approximately 38 percent of SBA 7(a) loans originated with community banks. This share increased to 46 percent of originations by 2019.

Figure 5: Percentage of Total SBA 7(a) Loans (2012, 2019)



Source FDIC, 2020.

Based on its findings gathered through *Small Business Credit Survey* in 2022, the Federal Reserve Bank asserted that "small businesses were most likely to be satisfied with borrowing experiences when dealing with community banks."[45] The survey found that business owners favored interactions with small banks. The satisfaction rate for firms using small banks was 76 percent compared to 62 percent, 48 percent, and 34 percent, respectively, for large banks, finance companies, and online lenders.

Community banks are best suited to drive start-up lending decisions and support small business activity through sustained investment as they are "in touch with the pulse of community life."[46] They are vital members of a community, as they engage in relationship lending with local entrepreneurs that may make a difference in the community, but might not be eligible for funding from larger national banks.[47]

Mortgage Lending

Increasingly automated decision-making in the banking industry may also impact the mortgage services sector, and could potentially have a negative impact on historically disadvantaged populations. Rather than applying for a mortgage loan at a local bank, the predicted technological replacement of loan officers through automation could compromise certain groups' ability to submit applications, or obtain mortgages, as algorithms may increase rejections based on bad credit history, high debt to income ratios, and insufficient collateral holdings.[48] In fact, a study in 2019 found that there are reduced rates of discrimination in terms of mortgage applicant rejection rates among fintech lenders, but these same lenders still charged Latino and African-American borrowers higher mortgage interest rates totaling $765 million per year.[49] Algorithmic biases aside, increased use of digital platforms could further exacerbate inequities.

Impact of Digital Banking Platforms

While digital banking has grown in popularity, there remains a significant number of the population who use physical bank locations and tellers to access their account, particularly for segments of the population with low levels of educational attainment and earnings. The findings from the FDIC's *Survey of Household Use of*

Banking and its *Survey of Income of Program Participants* provide qualitative insights into the societal issue of "financial exclusion." Of the two surveys, the former found that "21 percent of households with bank accounts used tellers as their primary method of account access [and that] over 28 percent of these households visited a branch 10 or more times" over the course of one year.[50] These percentages represent a substantial portion of the population that either relies on or prefers in-person banking services. Without physical access to banks, these people could be at risk of experiencing financial exclusion or being "unbanked."

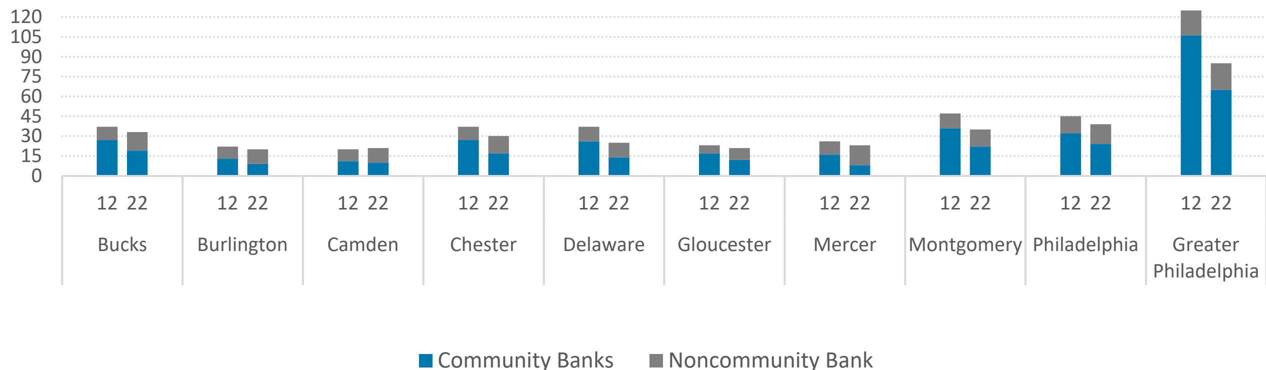
Across the nation, significant strides have been made towards decreasing the percentage of the population considered to be unbanked. From 2010 to 2019, the unbanked rate declined from 8 to 6 percent of the adult population.[51] According to the survey, cost is the major factor preventing people from bank engagement. Respondents cited financial strains, including minimum balance charges, overdraft penalties, and annual fees, as standing in the way of establishing and holding a financial account. Additionally, 15 percent of survey respondents stated that physical proximity to branches, as well as the limited hours offered at those locations, plays a major role in shutting them out from accessing and engaging financial services.[52]

The increased sophistication and user-friendly capacities of smart mobile technologies has also contributed to the diminishing reliance on visits to brick-and-mortar branches and automated teller machines (ATMs). Groups that enjoy 'financial inclusion' generally have access to the wealth and resources required to carry out safe, secure, and speedy financial services via these virtual banking platforms. Results from FDIC surveys highlight a stark contrast between 'banked' and 'unbanked' populations, with the 'unbanked' conducting 60 percent of transactions with cash, while their counterparts only use cash for approximately 40 percent of purchases.[53]

The Great Consolidation in Greater Philadelphia

Community banking within Greater Philadelphia is declining. The total number of banks operating in Greater Philadelphia dropped from 125 banks in 2012, to 85 banks in 2022, as shown in Figure 6. During that same period, the number of community banks declined by 38.7 percent from 106 in 2012, to 65 in 2022. The number of noncommunity banks actually increased from 19 in 2012, to 20 in 2022.

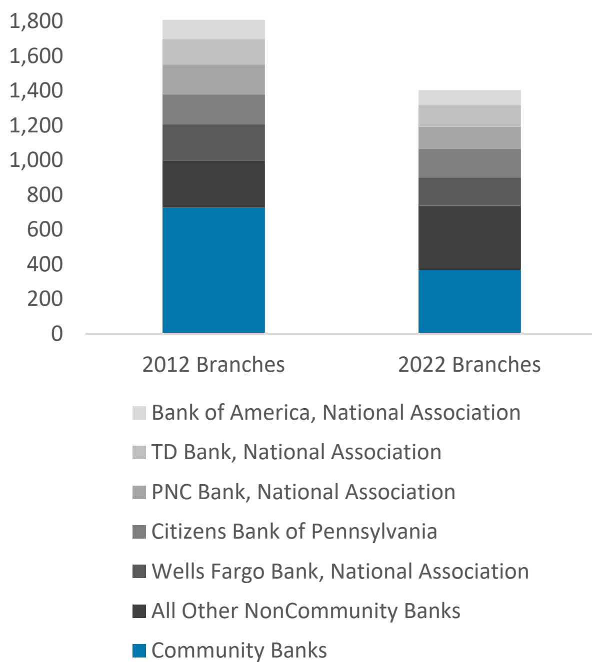
Figure 6: Total Number of Unique Banks Operating in Greater Philadelphia by County (2012, 2022)



Source: FDIC 2012, 2022; DVRPC, 2023.

The Region's Banks

Figure 7: Total Branches for the Five Largest Banks, by Footprint, and All Other Banks (2012, 2022)



Source: FDIC 2012, 2022; DVRPC, 2023.

There are five national banks that accounted for 44.8 percent of all branches in Greater Philadelphia in 2012. These include Bank of America, TD Bank, PNC Bank, Citizens Bank of Pennsylvania, and Wells Fargo Bank. Figure 7 shows that these banks have closed 144 (17.8 percent) of their 810 branches over the past decade, while other noncommunity banks have increased their combined footprints by approximately 36.4 percent.

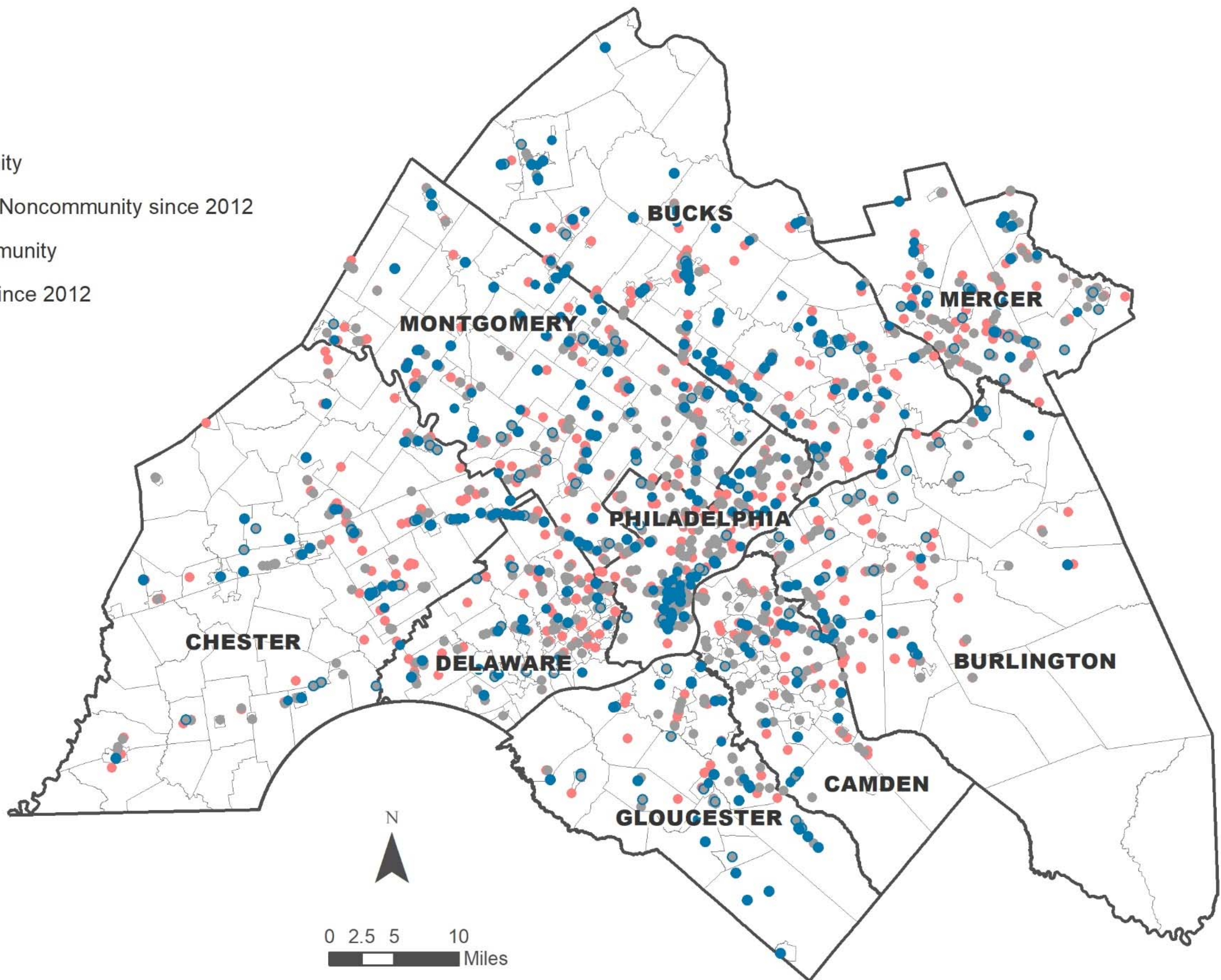
Bank Branch Locations

As of 2022, there were 1,403 bank branches in Greater Philadelphia, which is 405 fewer branches than in 2012 when there were 1,808 branches in the region. This represents a branch closure rate of 22.4 percent for the region as a whole, with the greatest declines observed in Delaware, Chester, and Montgomery Counties at 29.3 percent, 28.1 percent, and 27.9 percent respectively, as seen in Figure 8.

Maps 1 illustrates the geographic distribution of all bank branches as of 2022, and identifies branches that either closed or went from being a community branch to a noncommunity branch since 2012.

Map 1: Bank Branch Status as of 2022

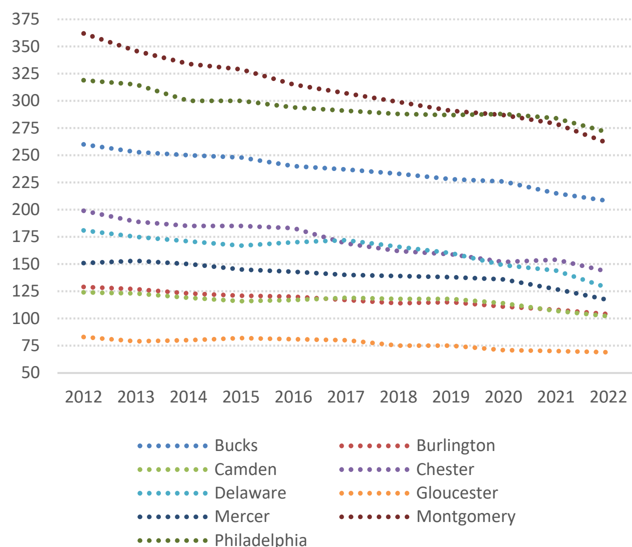
- Community
- Became Noncommunity since 2012
- Noncommunity
- Closed since 2012



Source: FDIC, 2012 and 2022.

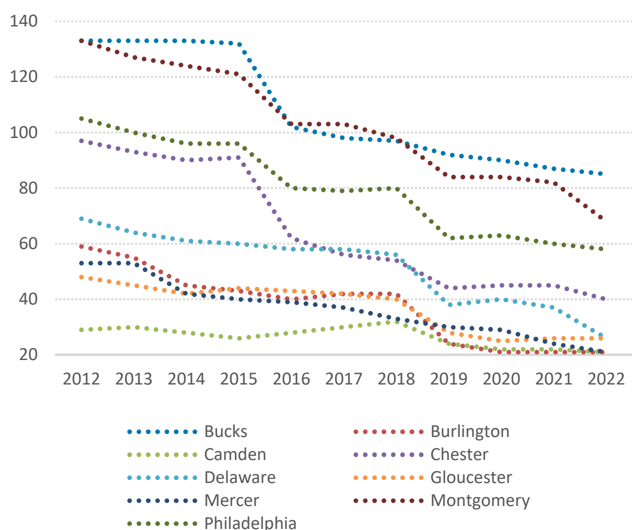
Prior to 2020, Montgomery County had more branches than any other county in the region. Since 2020, Philadelphia County has had the greatest number of branches due to it also having the lowest closure rate in the region, 15.0 percent. As of 2022, there were 271 branches located in Philadelphia.

Figure 8: Total Bank Branches by County (2012–2022)



Source: FDIC 2012, 2022; DVRPC, 2023.

Figure 9: Total Community Bank Branches by County (2012–2022)



Source: FDIC 2012, 2022; DVRPC, 2023.

Decline of Community Bank Branches

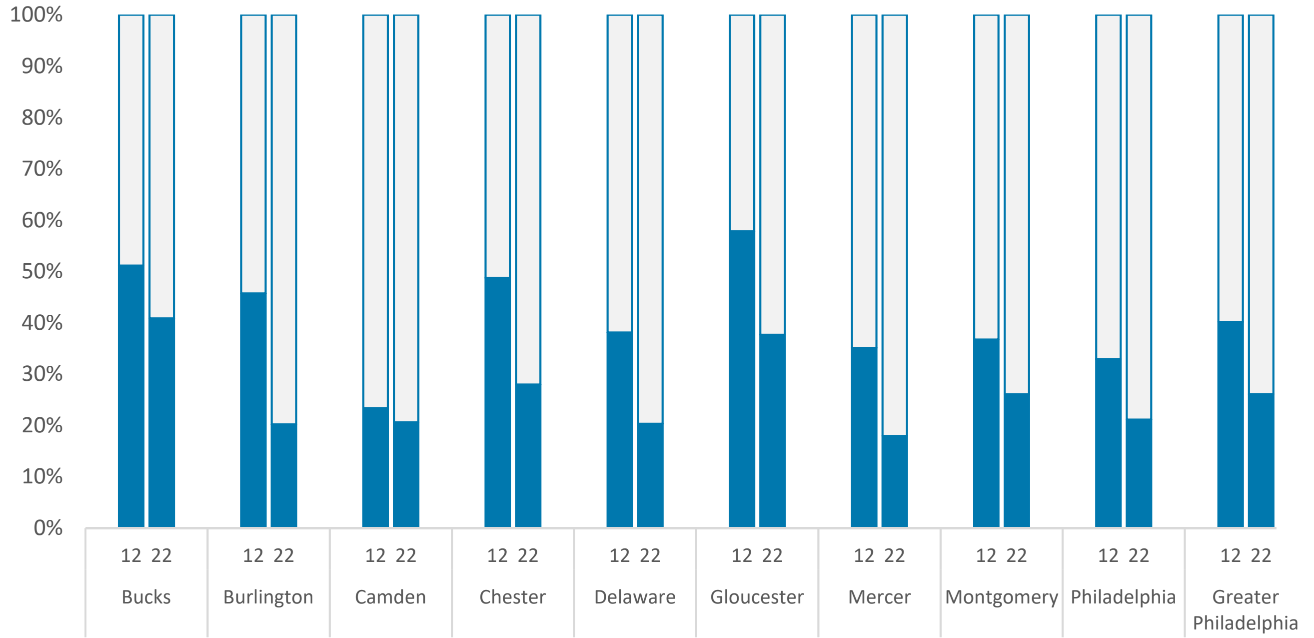
The decline in community bank branches between 2012 and 2022 can be attributed to one of three things, either the branch closed entirely, it was acquired by a noncommunity bank, or the bank itself was no longer considered a community bank. Therefore, rather than speak in terms of closures, the decline observed among community bank branches will simply be considered the loss rate. Between 2012 and 2022, the loss rate for the region's community bank branches was 49.6 percent, which is 27.2 percentage points higher than the closure for all branches within the region at 22.4 percent.

As of 2022, there were 366 community bank branches in the region, representing 26.1 percent of all branches in Greater Philadelphia. This follows a significant decline since 2012, when 40.2 percent of the region's branches were community bank branches.

As seen in Figure 9, the greatest declines were observed in Burlington, Delaware, and Mercer Counties at 64.4 percent, 62.3 percent, and 60.4 percent, respectively. Loss rates in Camden and Bucks Counties were significantly lower at 27.6 percent and 36.1 percent, respectively. However, at a total of 21 branches in 2022, Camden, Burlington, and Mercer Counties were tied for the lowest number of community bank branches in the region.

The greatest loss in the number of community bank branches was in Montgomery County, with a total loss of 65 branches between 2012 and 2022. In 2012, community bank branches accounted for 36.7 percent of all branches in Montgomery County. Although this represented a loss rate of 48.9 percent, Montgomery County still had the second greatest number of community bank branches in 2022, at a total of 68, which represented 26.1 percent of all branches in the county.

Figure 10: Community Bank Branches as a Share of All Branches by County (2012, 2022)



Source: FDIC 2012, 2022; DVRPC, 2023.

During the periods analyzed, there were no community bank branches in Camden City, and both Chester City and Trenton lost all of their community bank branches between 2012 and 2022. Prior to this time period, there was one community bank branch in Chester City and three in Trenton. With a total of 58, Philadelphia was the only Core City with any community bank branches, representing 21.4 percent of all branches in Philadelphia. This figure was down from 2012, at which time community banks represented 32.9 percent of all branches in Philadelphia.

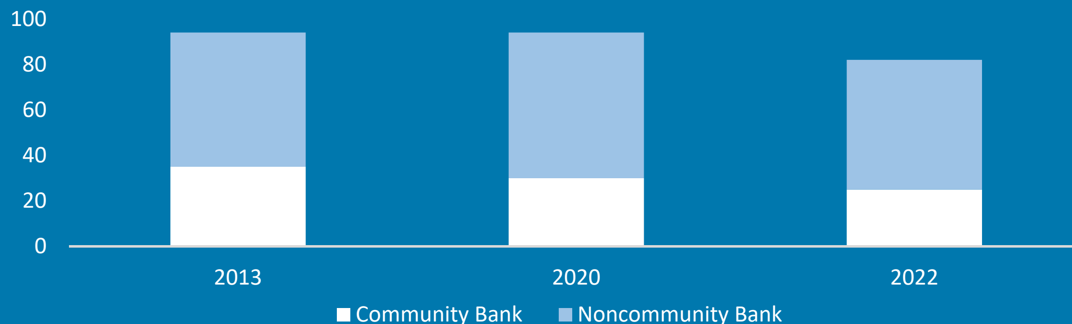
Case Studies

1. The Region's Retail Districts

In 2013, 46 (64.8 percent) of the 71 retail districts inventoried had at least one bank branch, 25 (35.2 percent) of which had a community bank branch. The share of retail districts with a bank had actually increased to 67.6 percent (48 districts) by 2020, but those with a community bank had decreased by 32.4 percent (23 districts). As of the most recent inventory update in 2022, the number of districts with a branch had declined to 44, of which only 20 had a community bank.

In total, there were 94 branches across the districts in 2013, with 35 community banks accounting for 37.2 percent of that total. By 2020, the total number of community banks had declined from 35 to 30, while the total number of branches remained steady at 94. As of 2022, the total number of branches had declined to 81, and the total number of community bank branches continued to decline down to just 25, as shown in Figure 11.

Figure 11: Total Community and Noncommunity Bank Branches in the Region's Retail Districts, by Year



Source: DVRPC, 2023.

2. Chester City, Delaware County, PA

Chester City is one of the most socioeconomically distressed communities in the region, which makes access to community banks and their benefits that much more important for those who live and do business there. In 2012, there were three branches in total, of which one was a community bank. By 2022, only two (noncommunity) bank branches remained, but as this paper is being written the last branch within Chester City is in the process of closing.

Socioeconomic Analysis

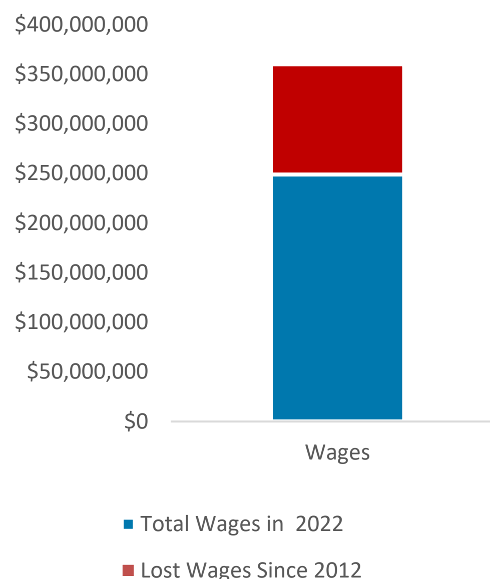
Low-income, racial minority, older adult populations, those with disabilities, and other potentially disadvantaged groups have a higher propensity to be unbanked, and/or slower to adopt digital tools and technologies, compared to non-disadvantaged groups. Using DVRPC's Indicators of Potential Disadvantage Data and Analysis, the data highlights a disparity between the availability of physical bank branches and the population share of these groups. Specifically, census tracts with above-average composite scores for low-income, racial minority residents, and individuals with disabilities, host a greater percentage of the region's population than share of bank branches. Census tracts with above-average figures for all four potentially disadvantaged groups observed a community bank closure rate above the regional average for the ten-year period. This section outlines the social and economic impact of community bank closures on the workforce and disadvantaged populations throughout the region.

Workforce Implications

When a community bank closes entirely, all of the executive and administrative positions required to run the organization are lost, and with them the wages earned. Although the outcomes may not be quite as severe when a community bank is consolidated into a larger noncommunity bank, the potential for redundancies within the new organization creates the potential for job loss. Given the complexities of these organizations, and that the loss of a community bank branch may not necessarily equate to the loss of jobs, this section will remain focused on one position common within any bank branch: the teller.

Employment data is available at the Metropolitan Statistical Area (MSA) level, which makes analysis for Greater Philadelphia more complex. However, by leveraging data from the Trenton MSA (Mercer County), which is part of the region, some assumptions can be made to better understand the Great Consolidation's employment implications for Greater Philadelphia as a whole. In 2012, on average there were 5.6 tellers per branch, each earning an average annual salary of $36,000[54] in 2022 dollars.[55] As of 2021, there was an average of 4.5 tellers per branch earning incomes of $39,500 each per year.

Figure 12: Estimated Lost Wages Due to Loss in Teller Positions in Greater Philadelphia from 2012 to 2022



Sources: FDIC 2012, 2022; DVRPC, 2023.

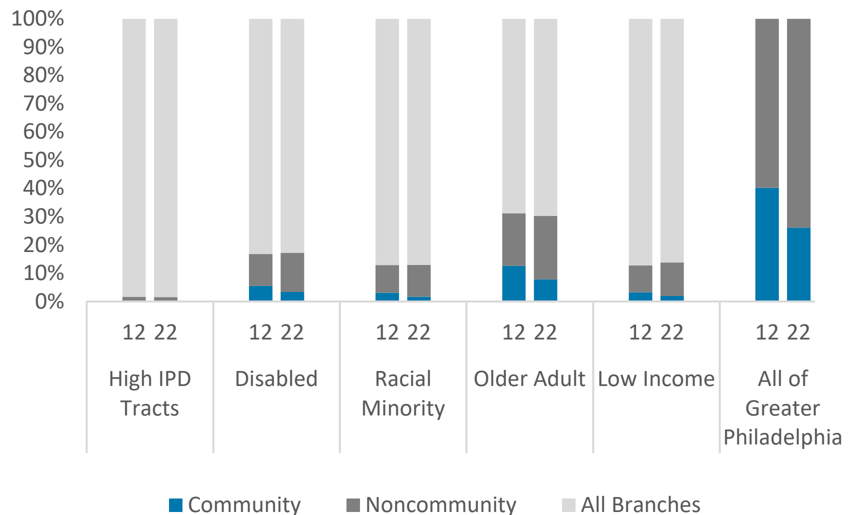
If the Mercer County numbers are applied to all of Greater Philadelphia, this would suggest that in 2012 there were approximately 10,000 teller positions with salaries totaling $360 million in 2022 dollars. Similarly, assuming the 2021 figures held constant for 2022, there would have been approximately 6,300 teller positions in Greater Philadelphia, which would have represented total annual incomes of approximately $248.9 million. Over the past decade, this signifies a potential loss of 3,700 teller positions, or 37.0 percent, and $111.1 million in lost wages, as shown in Figure 12 to the right.

Potentially Disadvantaged Populations

DVRPC's nine identified Indicators of Potential Disadvantage (IPD) include: Disabled (D), Hispanic or Latino (Ethnic Minority-EM), Female (F), Foreign Born (FB), Limited English Proficiency (LEP), Low-Income (LI), Older Adult (OA), Non-White (Racial Minority-RM), and Youth (Y). Census tracts are assigned a composite

IPD score indicating areas within the region with above-average and well-above-average concentrations of these populations.[56] The IPD analysis was used in this report to better understand the socioeconomic inequities associated with the Great Consolidation in the DVRPC region, with the following sections focusing on the D, LI, RM, and OA populations specifically. These four population groups were chosen due to their greater propensity to experience negative socioeconomic impacts associated with the Great Consolidation.

Figure 13: Share of Community and Noncommunity Bank Branches Located in Census Tracts with Above-Average IPD Scores (2012, 2022)



Source: FDIC 2012, 2022; U.S. Census American Community Survey 2017-2021; DVRPC, 2023.

In 2020, 222,683 people lived in census tracts with above- and well-above-average composite IPD scores, which accounted for 3.9 percent of the region's total population. Figure 13 shows that only 1.5 percent of the region's bank branches were located in these census tracts. The share of branches remains relatively unchanged since 2012, at which time it was 1.6 percent, despite observing a closure rate of 27.6 percent. There were only four community bank branches in these census tracts in 2012, which represented 0.6 percent of all community bank branches at that time. As of 2022, there were no community bank branches remaining in these census tracts.

Populations with Disabilities

As of 2020, 23.9 percent of the region's total population lived in census tracts with above- or well-above-average concentrations of populations with disabilities. However, in 2022 these same areas only contained 17.2 percent of Greater Philadelphia's bank branches, which was slightly up from 16.8 percent in 2012, despite an average closure rate of 20.5 percent. Following a loss rate of 52.5 percent since 2012, there were only 47 community bank branches in these same areas in 2022, which represented just 12.8 percent of all community bank branches in the region. The greatest loss rate was observed in Mercer County, at 85.7 percent.

Low-Income Populations

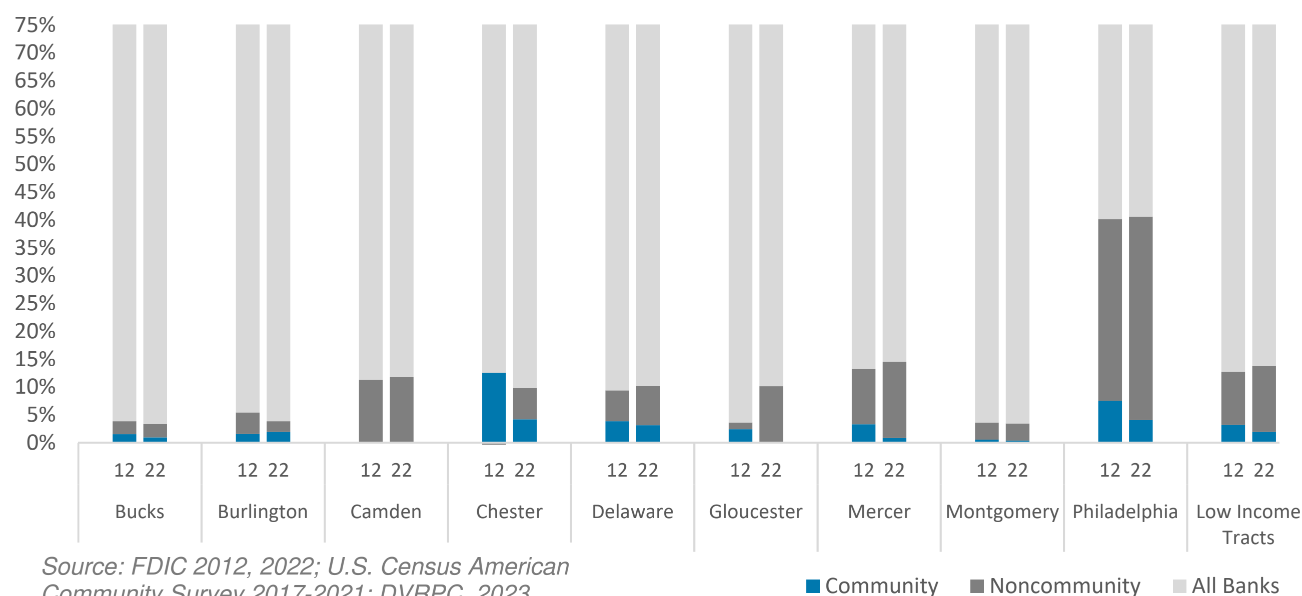
There were 193 branches located in low-income census tracts in 2022, which represented a decline of 16.1 percent from the total of 230 in 2012. Although the share of the region's branches in these tracts increased from 12.7 percent in 2012, to 13.8 percent in 2022, these same tracts were home to 26.1 percent of the region's total population.

In 2022, the share of branches in low income census tracts in the region's more suburban counties was generally consistent with the share of the population. However, this was not the case in Camden, Delaware, Mercer, and Philadelphia Counties where the shares of these counties' branches in low-income tracts were 11.8 percent, 10.2 percent, 14.5 percent, and 40.6 percent, respectively. Conversely, the share of the population was 23.4 percent in Camden County, 23.7 percent in Delaware County, 23.8 percent in Mercer County, and 64.6 percent in Philadelphia County. In other words, low-income populations in the region's more

urban counties were less likely to have a branch located within their community than their more suburban counterparts.

Figure 14 illustrates the decline of community bank branches in low-income tracts. There has been a decline of 53.4 percent over the past decade, down from a total of 58 in 2012. The greatest loss was observed in Gloucester County, where all of the community bank branches in low-income census tracts were lost by 2022.

Figure 14: Share of Branches Located in Census Tracts with Above-Average Concentrations of Low-Income Populations by County (2012, 2022)

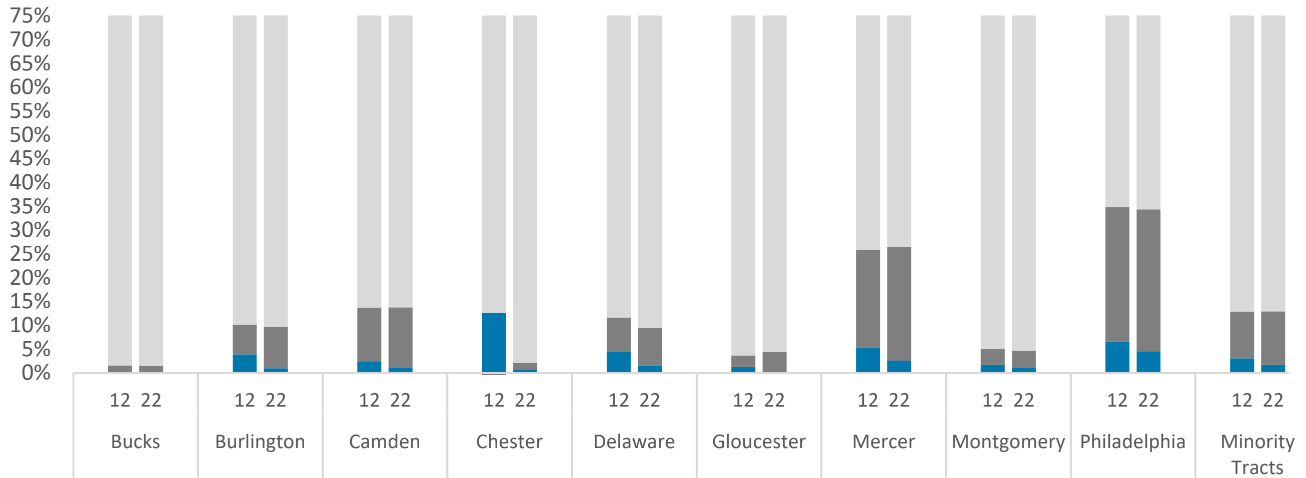


Racial Minority Populations

Figure 15 highlights the share of the region's branches located in census tracts with above- or well-above-average concentrations of racial minority populations. The data shows that between 2012 and 2022, bank branches remained relatively static at 12.8 percent and 12.9 percent. However, as of 2020, these tracts accounted for 26.5 percent of Greater Philadelphia's total population. The greatest disparity between regional population share and branch share was observed in Philadelphia, Delaware, and Camden Counties, where 34.3 percent, 9.4 percent, and 13.7 percent of the region's branches are located, respectively. Conversely, the share of the region's population located in minority majority census tracts in Philadelphia County is 61.3 percent, in Delaware County is 24.2 percent, and in Camden County is 26.6 percent.

Although 26.5 percent of the region's population was estimated to have lived in census tracts with above- or well-above-average concentrations of racial minority populations in 2020, only 6.3 percent of the region's community bank branches were located there as of 2022. Furthermore, this number was down from 7.6 percent in 2012, when 55 community bank branches were located in census tracts with above- or well-above-average racial minority populations in 2020. The loss rate was 58.2 percent between 2012 and 2022.

Figure 15: Share of Branches Located in Census Tracts with Above-Average Concentrations of Racial Minority Populations by County (2012, 2022)



Source:FDIC 2012, 2022; U.S. Census American Community Survey 2017-2021; DVRPC, 2023.

Older Adult Populations

As of 2022, 30.2 percent of the region's branches were located in census tracts with above- or well-above-average concentrations of older adult populations. This was slightly lower than the 2012 share of 31.2 percent, following the closure of 140 branches over the decade. However, the share of the region's branches in these tracts is higher than the share of the region's population, 23.4 percent. This remains true at the county-level as well, except in Gloucester County, where the share of bank branches is lower than the share of the County's population.

The loss rate for community bank branches in areas with above-average concentrations of Older Adult populations was 52.0 percent, and at the county-level ranged from 0.0 percent in Camden County to 84.0 percent in Chester County. In 2012, community bank branches accounted for 40.3 percent of all banks in Older Adult neighborhoods, but that share fell significantly to just 25.7 percent in 2022. With Camden County as the exception, this pattern was observed at the county-level as well. This suggests that the loss of community bank branches in the region's Older Adult neighborhoods was primarily driven by consolidation, or change in designation, rather than branch closures.

Multimodal Access to Bank Branches

Fewer physical bank branches in the region means that each branch must serve a larger geographic area, potentially making it more difficult for customers to access those branches. This section provides an analysis of the region's branches, and their physical relationship to transit.

Transit-Oriented

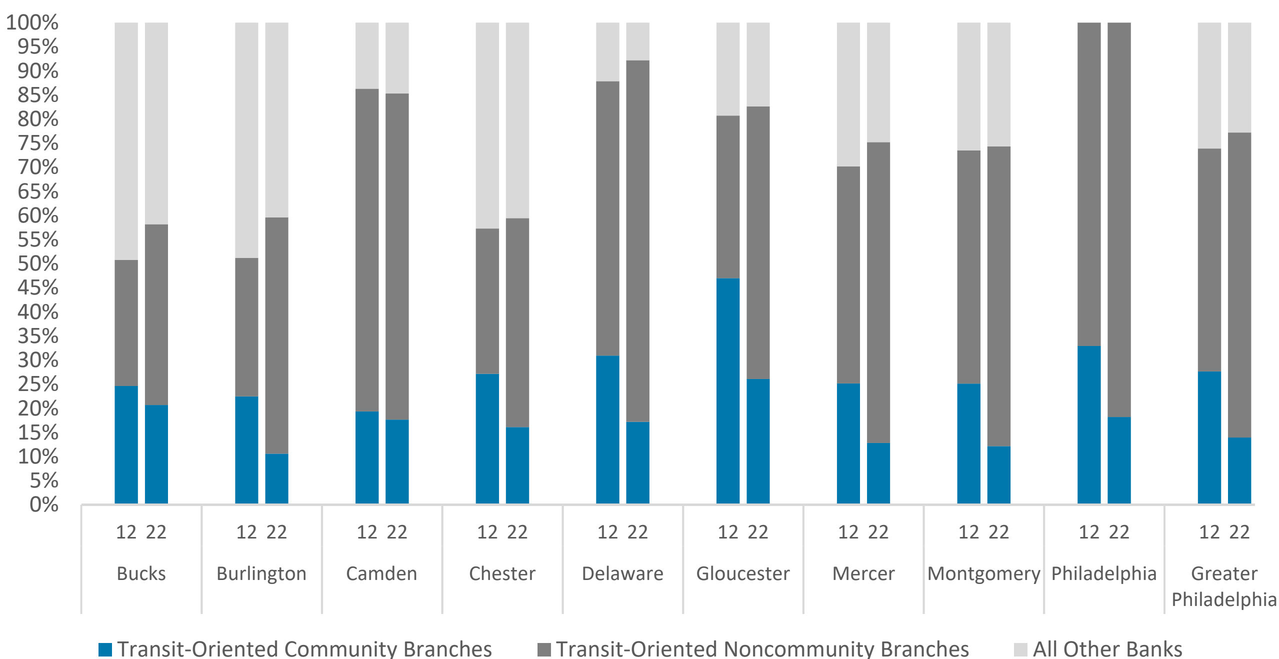
A bank branch is considered transit-oriented if it is located within a half-mile radius of a rail station or trolley stop, or a quarter-mile radius of a bus stop as they currently exist. Therefore, for 2012 branch locations the analysis does not mean that it was transit-oriented in 2012, but rather, it would be transit-oriented based on the transit network as it exists today.

The closure rate for transit-oriented branches (TOBs)—including for both community and noncommunity banks--was significantly lower than non-TOBs, at 18.9 percent for TOBs and 32.2 percent for non-TOBs. The

closure rate was highest among rail TOBs, at 19.1 percent, and lower among trolley and bus TOBs, at 12.0 percent and 18.7 percent, respectively. During this time period, the overall share of branches considered to be a TOB increased from 73.9 percent in 2012, to 77.2 percent in 2022. Increases in the share of TOB branches occurred across all transit modes, with bus TOBs representing the greatest share in 2022 at 75.8 percent of all branches. These findings indicate that in general, branches in Greater Philadelphia are increasingly transit-oriented, as seen in Figure 16, in part due to higher branch closure rates among branches that are not transit-oriented. The geographic distribution of TOBs as of 2022, can be seen in Map 2, as well as the locations of TOBs and non-TOBs that have closed since 2012.

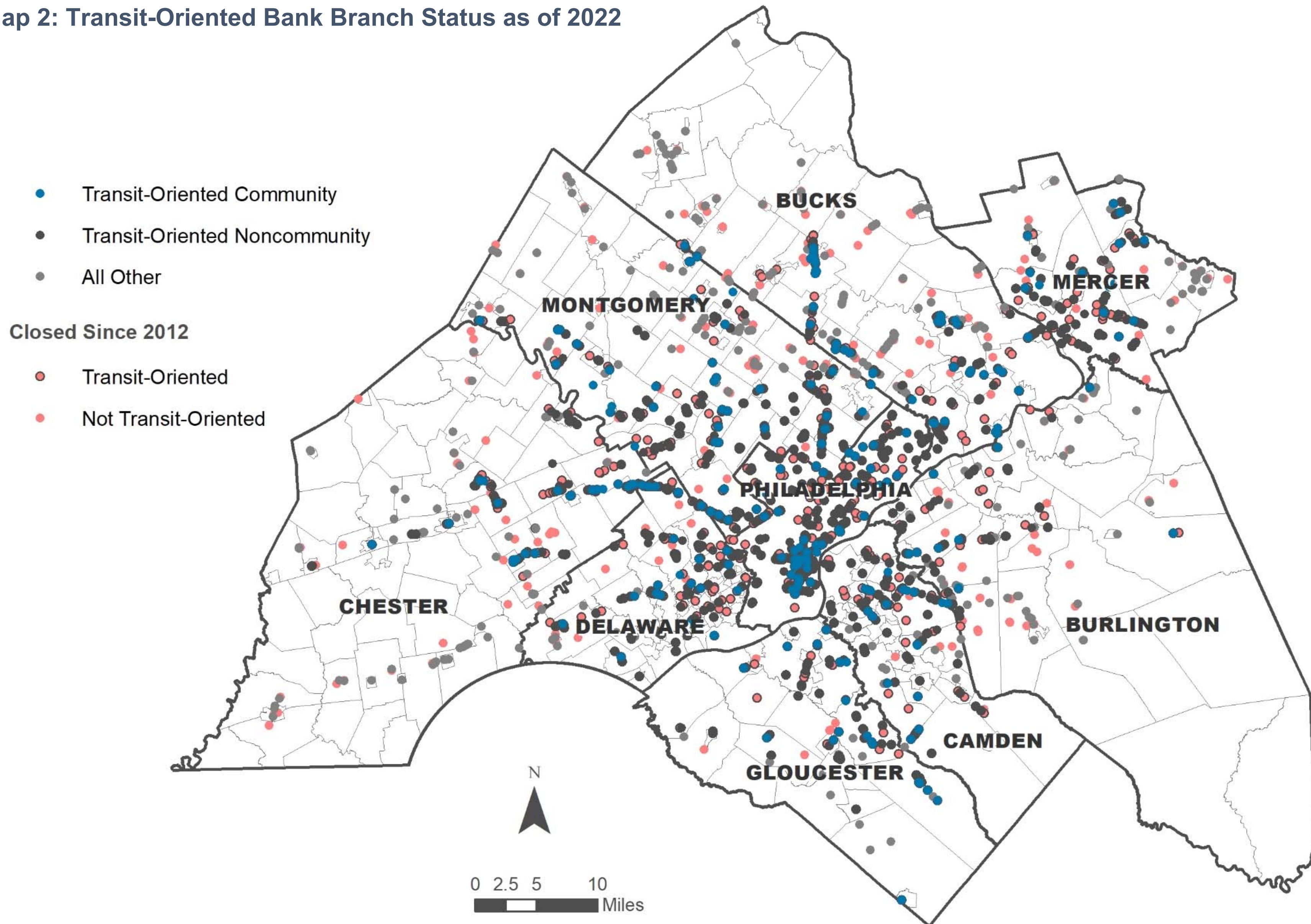
Community bank TOBs observed the same loss rate as all community bank branches, 49.6 percent, and the share of community bank branches that are TOB remained the same, 68.9 percent, from 2012 to 2022. However, as of 2022, community bank TOBs only represented 18.0 percent of all branches in the region, which was down from 27.8 percent in 2012. The loss rate was highest among bus TOBs, at 50.0 percent, followed by rail TOBs a t 44.6 percent, and trolley TOBs at 32.7 percent.

Figure 16: Transit-Oriented Branches as a Share of All Branches by County (2012, 2022)



Source: FDIC 2012, 2022; U.S. Census American Community Survey 2017-2021; DVRPC, 2023.

Map 2: Transit-Oriented Bank Branch Status as of 2022



Source: FDIC, 2012 and 2022.

Mitigating the Impacts of the Great Consolidation

The Federal government enacts and enforces regulations across the banking industry. The Office of the Comptroller of the Currency oversees national banks, while the FDIC and Federal Reserve supervise the thousands of state-chartered banks. As a result, corrective legislation is generally beyond the reach of municipal leaders and local influence. Still, there are local-level strategies that may mitigate the negative effects associated with the Great Consolidation, including reduced access to financial services among residents and businesses, escalating unemployment rates within the industry's workforce, and increased vacancy rates in commercial corridors. Outlined below are 11 local strategies, organized by the types of challenges they are designed to address.

Increasing Access to Financial Services

Create Municipal Lending Programs

Municipal lending programs strive to improve access to credit as a public service. In conducting interviews with 440 low-income respondents, Commonwealth, a national nonprofit promoting financial empowerment, determined that financially disadvantaged groups are interested in credit-building resources and support networks, but face challenges in accessing affordable options.[57] Financial Empowerment Centers (FECs),[58] operated by local governments and supported by the Cities for Financial Empowerment Fund,[59] offer credit-building tools and workshops as a key part of their services and programming.

The FEC movement has gained momentum across the nation, with 50 FECs covering the range of geographies and market sizes. There are seven FEC locations across the City of Philadelphia:

1. Helen Brown Community Center
2. PA CareerLink Suburban Station
3. PA CareerLink West Philadelphia
4. PA CareerLink Northwest Philadelphia
5. PA CareerLink North Philadelphia
6. People Acting To Help (PATH)
7. People's Emergency Center

Boston Builds Credit | Boston, MA

Sponsored by the Mayor's Office, Boston Builds Credit is a citywide initiative that extends access to financial services to traditionally excluded groups. Starting with financial literacy workshops and credit-building counseling, the program aims to provide a framework for an individual's financial stability and a pathway to achieve long-term goals, such as homeownership. Boston Builds Credit works in collaboration with credit bureaus, financial institutions, and policymakers to better serve the greater Boston area.

For example, Pittsburgh's FEC offers a robust set of complementary programs from safe banking, debt reduction, home and business ownership, and money management, in addition to credit improvement. In April 2022, the Pittsburgh's Urban Redevelopment Authority entrusted the FEC with the *Small Business Boost* program, an effort to extend financial counseling to entrepreneurs in pursuit of access to capital investment.[60] Nationwide, these centers provide public access to programs and services foundational for individual financial success and communal economic empowerment.

Enact Bank Local Procurement Policies

Governments are increasingly adopting local procurement policies that prioritize purchasing locally sourced goods and services in order to support and grow local economies. This same approach can be used in soliciting bids from, and approving contracts with, financial services institutions, with procurement policies aimed at keeping municipal funds deposited locally.

Typically, state legislatures determine their municipal governments' options for financial services. In Syracuse, New York, council members recently rallied to alter this policy. Advocating to empower local

municipalities with increased choice in the contracting of financial services providers, these elected officials claimed that moving deposits from big banks to local institutions would keep its money within the municipality itself, serving as a reliable stimulant to the local economy and sustainable source of community investment.[61]

Form Municipal Banks

Public banks' functions resemble those of commercial banks and credit unions, which were not a focus of this report due to their membership eligibility requirements, but are unique in their governance and management. Under the municipal model, the elected officials of a city, or county, are charged with making the bank's investment decisions, as well as performing its lending and depository operations, in the public's best interests.

A state-level equivalent model has actively served the state of North Dakota for over 100 years, and New Jersey Citizen Action is also pushing for a state-run public bank. More recently, the City of Philadelphia has made progress towards the formation of a municipal bank as its city council approved the Philadelphia Public Finance Authority (PPFA) in March 2022. As a steppingstone in the progression to a taxpayer-funded bank managed by government officials, the PPFA will work to mitigate barriers to credit and lending services by issuing "letters of credit" guarantees to individuals and businesses.[62] However, formation of the PPFA is still pending.

Leverage Community Development Financial Institutions (CDFIs)

Committed to community development, these specialized institutions channel their lending practices towards households, entrepreneurs, and businesses in hyper-local under-resourced communities. According to the CDFI Fund's analysis of 2020, banks designated as CDFIs extended 75 percent of total lending to "distressed areas."[63] Nationwide, the CDFI classification applies to over 1,300 financial institutions. In New Jersey and Pennsylvania combined, there are 44 CDFIs, accounting for 3.4 percent of the nationwide total, which is lower than these two states 6.7 percent share of the nation's population.[64]

Municipalities could develop relationships with existing CDFIs, leverage partnerships, and advocate for the formation of new CDFIs. The U.S. Department of the Treasury's (Treasury) briefly paused certification of new CDFI's, but as of December 2023, is once again certifying new CDFIs.[65] offers several funding programs. The Treasury also provides grant funds to certified CDFIs. For example, $1.73 billion in *Equitable Recovery Program* funding was allocated to 603 members in 2022, as part of the post-pandemic recovery effort.[66]

Reinvestment Fund | Philadelphia, PA

Within our planning region, Reinvestment Fund showcases the positive impact of the CDFI model. Classified as a loan fund, this CDFI has financed the *Jumpstart Philly* property restoration program. Since 2015, Reinvestment Fund has issued loans and provided training to local talent motivated to gain career skills and rehabilitate residential properties. Together, the nonprofit and program participants have enhanced the city's housing stock with 170 renewed residential structures and added over $17 million in real estate value to Philadelphia's economy.

Enhance Transit Service

The extensive network of public transit is a key resource for the region. The Southeastern Pennsylvania Transit Authority (SEPTA), New Jersey Transit (NJT), Port Authority Transit Corporation (PATCO), and Pottstown Rapid Transit (PART) provide multimodal transportation options across Greater Philadelphia.

In Greater Philadelphia, the branch closure rate was 3.5 percent lower for transit-oriented branches than the region as a whole. As a result, the share of the region's branches that are transit-oriented increased between

2012 and 2022, which is a positive trend as TOBs are more accessible to lower income households that may not have access to an automobile.

Further expansion of transit service will enhance the interconnectivity of residents, businesses, and communities, and, with it, improved access to physical bank branches, as transit-oriented branches have remained open at greater rates across the region. This will also help ensure that lower income households, who are more likely to rely on transit, continue to have access to financial services.

Allow Mobile Branch Deployment

Mobile branches, not to be confused with mobile banking, are branches on wheels that resemble recreational vehicles (RVs). These branches are equipped with a variety of banking technologies and are staffed by a financial institution's personnel. Freed from the singular location constraint of a brick-and-mortar facility, these banking units can serve multiple geographical markets daily, and dozens within a week.

These mobile branches increase "convenience and reach" by traveling to customers, rather than relying on visitors to their permanent locations. Large and small banks have invested in this emergent infrastructure, with Lancaster's Bank of Bird-in-Hand and PNC at the forefront of the movement. In addition to financial services, mobile branches provide additional benefits, serving a marketing function as a prominent billboard and a vehicle for community outreach, such as financial literacy initiatives.

Local regulations may need to be revised to ensure that they do not inadvertently prevent banks from deploying and operating mobile branches.

Bank of Bird-in-Hand | Lancaster, PA

Based in Lancaster, PA, the relative newcomer to the financial services industry, Bank of Bird-in-Hand has exemplified its community service ideal in its mobile branch investment. From its opening in December of 2013, the bank's executives recognized the pivotal role that access to services would play in best serving a majority Amish and Mennonite customer base. Reaping the rewards of its genuine customer-focused approach and innovative branch network, the institution has grown its $17 million start-up capital base to over half a billion dollars in assets. As of March 2023, Bank of Bird-in-Hand served four Pennsylvania counties with 17 brick-and-mortar locations and four mobile branches, each maintaining a consistent weekly schedule.

Encourage Libraries to Act as Tele-Bank Centers

Nationally, 9,000 public libraries serve as community "anchor institutions" and consider free and reliable access to broadband as one of the most vital public services they provide. By offering access to computers and the internet, as well as providing digital literacy programs, libraries are increasingly leveraged for their capacity to help bridge the digital divide. In this same capacity, libraries could function as spaces for individuals to conduct personal banking activities in a financial services environment that is increasingly digital.

The National Telecommunications Integration Agency, contained within the Department of Commerce, "encourages state and local libraries" to promote and carry out the tenets of the Broadband Equity, Access, and Deployment Program.[67] Recently, two localities serving communities at opposite ends of the population density spectrum have established effective telehealth programs within their public library networks. In New York, Mount Sinai and the NYC Library collaborated to create "Take Charge with MyChart," a program focused on developing proficiency with digital health tools and platforms.[68] Seeking to address the digital divide in access to medical care for rural residents, Maine invested a total of $50,000 in American Rescue Plan funds to improve library resources and reformat meeting rooms to better serve as confidential spaces for conducting telehealth visits.[69] Libraries can follow this telehealth model in promoting their space a prominent, reliable, and safe place for accessing financial services.

Facilitate Increased Utilization of Interactive Teller Machines (ITMs)

ITMs, also called virtual teller machines, provide basic transaction services and offer live guidance from a banking professional through a remote platform. While the devices were first launched in 2013, they did not achieve significant popularity or widespread adoption until the COVID-19 pandemic. As of 2021, the Financial Brand estimated that there were over three million of these machines worldwide.[70] Current forecasts expect the "global bank kiosk market" to chart considerable growth rates in the coming years, with Transparency Market Research predicting an increase to $49.9 billion from 2021 to 2031, an increase of over 75 percent.[71]

ITMs are well-equipped to serve as a primary resource connecting the customer base to its demand for a mix of physical and digital banking services. These sophisticated devices, and the professionals that staff them, provide the balance of services that modern customers want, delivering high-level interactive services requiring personal guidance such as loan origination, account openings and even financial advice. By enabling bank branches to extend their service hours beyond the limitations of a traditional workday, ITMs may support the employee wellness movement, affording schedule flexibility and a work-from-home option.[72]

Local zoning codes and permitting processes, including approved hours of operation and permitted uses, may need review and revision to allow for the deployment and operation of ITMs.

Enable Small Format Branches

Small format bank branches, those taking up a smaller footprint in terms of square footage, emerged as a mainstream trend with the dawn of internet-based banking and the diminished reliance on the full scope of services provided at traditional brick-and-mortar locations. In general, small format branches offer a balanced menu of financial services, maintaining a physical presence while also promoting digital access and capacity.

According to WBR Insights, large financial services institutions embracing the "hub and spoke" model will benefit from the lowered costs of a decreased footprint while promoting the full range of product and service offerings, leveraged through an increasingly sophisticated menu of digital platforms.[73] Alternatives to outright closures also exist for institutions with more modest networks. In Milwaukee, Associated Bank has recently reopened a previously shuttered downtown branch as a reformatted "micro branch" which its director of branch banking believes to be as effective as its full-sized neighbors.[74] Regardless of physical layout and interior design, it is imperative that these "smart branches" employ personnel equipped to render intuitive solutions to the range of complex financial situations and customer requests that are beyond the scope of current digital platforms.[75]

It may be necessary to review local zoning codes to ensure that they do not prohibit these smaller-footprint branches through overly restrictive minimum square footage requirements.

Empowering the Workforce

Reskill and Upskill Bank Sector Employees

The Great Consolidation and workforce automation have the ability to create redundancies in the workforce, which in turn could lead to increased unemployment within the industry. Therefore, workforce development, and with it upskilling and reskilling, will be critical to ensure that the workforce remains relevant and competitive within the industry, as well as in other similar industries. This can be accomplished within the industry as banks invest in their existing talent, while elected officials can implement programs to support displaced, and underemployed, workers.

BankWork$ | Philadelphia, PA

At Philadelphia's Opportunities Industrialization Center, the BankWork$ program serves as a pathway for upward mobility in the labor market. Established in 2006 to recruit retail industry cashiers to bank branch teller positions, the program has expanded to train students for more lucrative careers as personal bankers.

The current market demands that front-line bank employees provide high-level, interactive services as brick-and-mortar locations shift from "transactional branches" to "relational centers." Emerging alongside these changing customer needs, some banks are developing a "universal banker" prototype, a well-rounded financial services professional capable of supporting branch visitors with the full scope of an institution's products and services.[76]

According to a recent report, vesting employees with a more comprehensive skillset and tools may increase job satisfaction, performance, and retention.[77]

Governments can provide career services in order to respond to disruptions to the labor force. For example, as a recipient of the federal Dislocated Worker Grant, the nonprofit organization, Philadelphia Works, and PA CareerLink provide financial assistance and career development services for Bucks, Chester, Delaware, Montgomery, and Philadelphia County residents recently displaced from the labor force.[78]

Addressing Vacancy

Adopt Adaptive Reuse Policies

Adaptive reuse refers to the process of taking an existing, yet inactive space or structure and updating it for a new purpose, often to align with changing societal needs or market demands. According to the CBRE Group's August 2022 survey of 71 financial institutions, more than half intend to decrease their real estate footprint within the next three years.[79] This could lead to increased vacancy rates at the local level.

Zoning ordinances, development guidelines, and approval processes could be reviewed and revised to encourage redesign or transformation of existing structures for new commercial, municipal, and/or residential purposes. This will increase the range of viable alternative uses for these spaces, while decreasing the risk of long-term vacancy and/or need for unnecessary demolition.

Within the City of Philadelphia, several historic bank buildings have been repurposed and refitted into a range of public and private establishments, from business ventures to government offices. For example, redevelopment of the Kensington National Bank building, the site of an active Wells Fargo branch, is underway in the city's Fishtown neighborhood. The award-winning design features 42,100 square feet of mixed-use residential and retail space, as well as vehicle and bicycle parking.[80]

Conclusion

The marketplace for financial services and its most recognizable providers, banks, are undergoing dynamic change. Today's environment features fewer community bank institutions and diminished branch networks as the advancement of digital banking platforms intensifies the impact of the Great Consolidation. From 2012 to 2022, almost one-third of banking institutions ceased operations in the Greater Philadelphia market, while the region's bank branch network decreased by over 22 percent. With a loss rate near 50 percent, community banks hold an outsized share of this shrinking network. As community banks close their doors, customers face increased barriers to relationship banking, and the socioeconomic benefits associated with it.

Overall, there is a disparity between geographies with high concentrations of potentially disadvantaged populations and the accessibility of banking services. For example, more than one-quarter of Greater Philadelphia's population is located within low-income census tracts, but fewer than one in seven bank branches are located within these same areas. These populations also observed community bank loss rates above the regional average. Furthermore, unbanked populations, and those falling on the wrong side of the digital divide are at greater risk of financial exclusion as the financial services sector increasingly relies on digital technologies over physical branches.

As regulatory authority is vested in the Federal government, this paper provided local-level strategies to increase financial inclusion and offset the negative socioeconomic impacts associated with the Great Consolidation. These strategies support local policymakers and stakeholders to grow more equitable local economies through a range of recommendations such as adaptive reuse of underused bank buildings and leveraging CDFIs. However, local nuance should inform the appropriateness, and applicability, of each of these strategies across Greater Philadelphia.

The Great Consolidation has had a multifaceted impact on mortgage and small business lending, led to obsolescence of and redundancies in the workforce, exacerbated the inequities related to the digital divide, and more. Although the policies and industry forces that have facilitated the Great Consolidation are national in nature, the trend has manifested itself in communities throughout Greater Philadelphia. Due to the complexity of this issue, each of the impacts and strategies discussed in this paper could themselves warrant a more detailed, and thorough review in the future.

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The Great Consolidation: Community Banking Decline in Greater Philadelphia

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Abstract:
Community banks play an important role in local and regional economies. However, since the 1990s, bank mergers and acquisitions have led to a decline in community banks, and the socioeconomic benefits associated with them. Nationally, this trend is referred to as the Great Consolidation, and a regional analysis indicates that the trend is playing out across Greater Philadelphia as well. In fact, between 2012 and 2022, 405 branches closed across the region, representing a closure rate of 22.4 percent. Comparatively, the loss rate for community bank branches during that same period was significantly higher at 49.6 percent. Since corrective legislation is generally beyond the reach of municipal leaders and local influence, this report provides 12 local strategies that can be employed to offset the negative effects of the Great Consolidation. These strategies range from physical realm interventions, such as zoning changes and adaptive reuse policies, to municipal lending programs and bank formation, which aim to increase access to capital.

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