CDBA Community Development Bankers Association
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February 3, 2021

VIA ELECTRONIC FILING

Ms. Ann E. Misback,
Secretary
Board of Governors of the Federal Reserve
20th Street and Constitution Ave. NW
Washington, DC 20551

Mr. Adam M. Drimer
Assistant Vice President
Federal Reserve Bank of Richmond
701 East Byrd St.
Richmond, VA 23219

Re: First Citizens BancShares, Inc., Raleigh, North Carolina; to acquire CIT Group, Inc., New York, New York, and thereby indirectly acquire CIT Bank, National Association, Pasadena, California.

Dear Ms. Misback and Mr. Drimer:

On behalf of the members of the Community Development Bankers Association (CDBA), we respectfully submit the enclosed comments in response to the Federal Reserve Bank of Richmond's review of the pending acquisition by First Citizens BancShares, Inc., of CIT Group, Inc., and thereby indirectly CIT Bank, National Association.

CDBA is the national trade association for banks and thrifts that are US Treasury-designated Community Development Financial Institutions (CDFIs). Our members have a primary mission of promoting community development and target at least 60% of their total lending and activities to Low- and Moderate-Income (LMI) communities and customers that are underserved by traditional financial service providers.

The merger of First Citizens and CIT is significant on a national and a local level. CIT Group and First Citizens are already the 45th and 53rd largest bank holding companies in the United

States by assets.[1] Once merged, the combined bank will have $100 billion in assets placing it among the 40 largest bank holding companies in the nation. Via CIT, the bank will have a strong online deposit gathering operation, and the combined institution would maintain branches coast-to-coast, with concentrations in the southeast, Florida, and southern California, as well as operations in Arizona, Nebraska, Nevada, Texas, Colorado, Kansas, Wisconsin, Washington, Oklahoma, Missouri, New Mexico, Oregon, Maryland, Georgia, West Virginia, South Carolina, Tennessee, and Virginia. As a major participant in national financial markets, the proposed entity should be held to a high standard with respect to meeting the credit and financial service needs of LMI communities within its new, larger geographic footprint.

Under the Bank Holding Company Act, the Bank Merger Act, and the Home Owners Loan Act, the Board is required to review the competitive effects of bank mergers and acquisitions.[2] Without proper oversight, any merger of this size could have significant and negative impact on economically disadvantaged areas. Specifically, such a merger could “affect the competitive environment in retail banking markets and that in some cases may raise competitive concerns.”

We are particularly concerned about the systemic threat to branch banking in underserved communities reflected in a long-term trend of consolidation. CIT has explicitly stated it is “laser focused on deposit costs,” and “already depends on its online bank for about half of its deposits.”[3] Reducing costs generally via staff reductions and branch closures is an effective way for merging financial intuitions to save money in the face of increased competition and weakening efficiency ratios. While these are understandable actions in the context of current industry trends, CIT’s most recent CRA Performance Evaluation resulted in a Service Test rating of “Low Satisfactory,” with specific mention of the bank having no branches in LMI geographies in its San Diego-Carlsbad service area, and none in low-income geographies in its Los Angeles-Long Beach service area.[4]

While First Citizens’ overall CRA performance is considerably stronger (resulting in “high satisfactory” ratings in all performance test categories[5]), CIT’s CRA performance is cause for concern due to uneven performance in meeting goals laid out in its post-OneWest merger “CRA Plan.” Opportunities clearly exist to improve the merged bank’s CRA-compliance and community development culture, especially with a strong precedent at First Citizens. We note specifically that CIT’s community development lending fell well below targets without

[1] www.ffiec.gov/npw/Institution/TopHoldings
[2] www.federalreserve.gov/bankinforeg/competitive-effects-mergers-acquisitions-faqs.htm
[3] Harry Terris, “ First Citizens MOE 'capstone' on CIT's transformation,” S&P Global Market Intelligence, October 16, 2020
[4] OCC, “Public Disclosure, Community Reinvestment Act Performance Evaluation, CIT Bank, National Association Charter Number 25079,” August 6, 2018
[5] FDIC, “Public Disclosure, Community Reinvestment Act Performance Evaluation, First-Citizens Bank & Trust Company, Certificate Number 11063,” March 26, 2019

explanation, and community development investments were lower due to "an accounting difference between committed vs. actual amounts."

The combined trends of consolidation and branch closure contribute to a vicious trend for communities. The continued concentration of assets within a handful of mega- and regional-banks has a destabilizing effect on communities when credit decisions are increasingly made far away from those communities, if credit is available at all. This destabilization is particularly acute in the precise communities that CDBA members serve: distressed rural communities, disinvested urban neighborhoods, and under resourced Native American communities.

To mitigate potential negative impacts from the merger, we strongly encourage the merged institution to enhance its CRA-compliance culture and community development program to ensure that LMI communities are well served through CDFIs. A key component of such a program should be initiatives that support the provision of financial services and products through *depository* CDFIs, particularly CDFI banks. The new firm should continue to develop CDFI bank initiatives that are at least comparable in size, scope, and complexity to those of its peer group. Synchrony Financial, Discover Financial Services, DB USA, Huntington Bancshares, and Credit Suisse are the next most comparable in asset size to that of the proposed merged bank and the volume, complexity, and flexibility of their CDFI initiatives can serve as models.

To fulfill its obligations, we strongly recommend that First Citizens consider expanding its existing minority- and women-owned financials institution deposit program[6] to specifically target CDFI banks, given the proven impact and effectiveness of these CRA-qualifying "investments" and their relative ease (please see the Certificate of Deposit Account Registry service, or "CDARs," as an example).

To achieve a higher degree of community impact and CRA-related innovation and flexibility, we further urge First Citizens to extend its support for CDFIs generally to include investments of Tier 1 qualifying capital in CDFI banks. Appropriately structured equity investments and subordinated debt can be the most powerful forms of capital that a CDFI bank can receive. Long-term, patient equity capital from private partners can have a direct and catalytic effect on a financial institution's capacity to serve customers and communities that need it most. In the past several months, multiple opportunities have emerged to make this process easier. For example, First Citizens can consider the Federal Deposit Insurance Corporation's (FDIC) "Mission Driven Bank Fund." The goals of the FDIC's new fund align very well with the needs of underserved communities and the CDFI banks that serve them.[7]

[6] FDIC, "Public Disclosure, Community Reinvestment Act Performance Evaluation, First-Citizens Bank & Trust Company, Certificate Number 11063," March 26, 2019, Page 17
[7] FDIC, "The Mission-Driven Bank Fund," www.fdic.gov/regulations/resources/minority/mission-driven/infographic.pdf

Simply, it is insufficient to continue old practices at prior activity levels and to reduce branch services without compensating activity, when prior models are based on pre-merger growth projections and the economic situation has deteriorated so severely for the underserved.

In summary, we strongly encourage the Federal Reserve to ensure that the new bank created by the merger of First Citizens and CIT has a flexible and innovative community development program that engages productively with CDFI banks as appropriate for its size, complexity, and expanded retail customer base. The new bank must embrace the opportunity to work with and support regulated depository CDFIs within their markets.

Thank you for the opportunity to comment on this important issue.

Sincerely,

Jeannine Jacokes
Chief Executive Officer