Community Development Bankers Association
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February 18, 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

Ms. Mary S. Johnson
Vice President
Federal Reserve Bank of Cleveland
1455 East Sixth St.
Cleveland, OH 44101

Re: Huntington Bancshares Incorporated, Columbus, Ohio; to acquire TCF Financial Corporation, Detroit, MI, and thereby indirectly acquire TCF National Bank, Sioux Falls, SD

Dear Mss. Misback and Johnson:

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 Cleveland's review of the pending acquisition by Huntington Bancshares Incorporated (Huntington), of TCF Financial Corporation (TCF), and thereby indirectly TCF National Bank.

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 Huntington and TCF is significant on a national and a local level. Huntington and TCF are already the 37th and 54th largest bank holding companies in the United States by assets.[1] Once merged, the combined bank will have approximately $168 billion in assets[2] placing it

[1] www.ffiec.gov/npw/Institution/TopHoldings
[2] S&P Global market Intelligence, December 13, 2020

among the 25 largest holding companies, and making it a “top 10 U.S. regional bank.” S&P notes that the combination “expands the footprint of Huntington Bancshares to include Minnesota, Colorado, Wisconsin, and South Dakota, and deepens its presence in Chicago.” Huntington itself expects that the merger will increase its presence in certain markets with “The new organization (having) a top 5 rank in approximately 70% of its deposit markets.”[3] As a major participant in the 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 Federal Reserve Board is required to review the competitive effects of bank mergers and acquisitions.[4] Without proper oversight, any merger of this size could have significant and negative impact on economically disadvantaged areas. Specifically, such a merger could, in the words of the Department of Justice, “affect the competitive environment in retail banking markets and that in some cases may raise competitive concerns.”

CDBA does not oppose this merger. However, we are particularly concerned about the systemic threat to branch banking in underserved communities that consolidation poses – a trend reflected in the long-term history, and recent acceleration of such mergers. Reducing costs via branch closures is an effective way for financial intuitions to save money in the face of weakening efficiency ratios. Huntington closed net 70 branches in 2020[5], and has explicitly stated its intention to close 198 branches in the acquisition “Equivalent to about 40% of TCF's current branch count.”[6]

The combined trends of consolidation and branch closure have a vicious effect on communities. Further, 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, we strongly encourage the merged institution to enhance its community development program to ensure that LMI communities are well served through CDFI banks. A key component of such a program should include initiatives that support the provision of financial services and products through CDFI banks. In announcing the acquisition,

[3] Huntington Bancshares, “Huntington Bancshares And TCF Financial Corporation Announce Merger To Create Top 10 U.S. Regional Bank,” Dec 13, 2020
[4] www.federalreserve.gov/bankinforeg/competitive-effects-mergers-acquisitions-faqs.htm
[5] Lauren Sear and Mahum Tofiq, “US banks shutter record number of branches in 2020,” S&P Global Market Intelligence, Jan 15, 2021
[6] Harry Terris, “Huntington to close 198 branches in TCF acquisition,” S&P Global Market Intelligence, Jan 22, 2021

Huntington highlighted its "$20 billion Community Plan, which is focused on driving economic inclusion through access to capital, affordable housing and home ownership, and community lending and investment," and TCF's additional $1 billion "commitment over five years to support minority-owned and women-owned small businesses."[7]

CDFI banks are poised to help Huntington ensure these pledges are effective. During the COVID-19 pandemic, CDFI banks have been central to the efforts of federal, state, and local governments as well as the efforts of the financial services industry to respond to the urgent needs of people and small businesses in LMI and otherwise underserved communities, including those with rural, minority-, and women-owned businesses. To fulfill these pledges, we strongly recommend that Huntington consider increasing its CDFI bank deposit-placing program, 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").

Further, to achieve a higher degree of community impact and CRA-related innovation and flexibility, we urge Huntington to increase support for CDFI banks with investments of Tier 1 qualifying capital. 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 most need investment. In the past several months, multiple opportunities have emerged to make this process easier. For example, Huntington can consider the FDIC's "Mission Driven Bank Fund." The goals of the FDIC's new fund align very well with the needs of underserved communities and the CDFIs that serve them.[8]

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

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

Sincerely,

Jeannine Jacokes
Chief Executive Officer

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[7] Huntington Bancshares, "Huntington Bancshares And TCF Financial Corporation Announce Merger To Create Top 10 U.S. Regional Bank," Dec 13, 2020
[8] "The Mission-Driven Bank Fund", www.fdic.gov/regulations/resources/minority/mission-driven/infographic.pdf