Where Have all the Bank Branches Gone? “Deja View All Over Again”

Lawrence Peter “Yogi” Berra passed away in 2015, leaving a legacy not only of his Hall of Fame baseball career with the New York Yankees, but with malapropisms the homespun wisdom of which have become omnipresent in our daily lives. As the vote count slowly advanced on election nights in November and January, how many of us replayed Yogi’s immortal counsel, "It ain't over 'til it's over." He reminded us, as well, that history often plays out “all over again.”

On March 22, NPR’s Scott Horsley reported on a recurring issue in the banking system: ”'What Are We Going to Do?': Towns Reel as Banks Close Branches at Record Pace.” He highlighted the towns in the rural Southeast that have lost branches, becoming “banking deserts.”

It’s neither a new nor a singularly rural issue. In the early 1980s, we saw a wave of bank branch closings—then, as now, disproportionately concentrated in low-income and minority areas. Then, as now, the triggers were economic (sky-high Interest rates that squeezed bank profit margins) and technological (the spread of ATMs. Today, it’s the economy, ravaged by the pandemic, and the growing use of smart phones and digital banking.

When I hear the distress of rural Southerners talking about the loss of their bank branches, it sounds much like what I heard decades ago in the neighborhoods of New York City, where I worked for the National Federation of Community Development Credit Unions (now Inclusiv). Horsley quoted Darrin Williams, the CEO of Southern Bancorp, who remarked that “In a lot of the rural communities we serve, the bank branch is part of the social fabric.” Steven Jackson, a parish commissioner in Shreveport, LA, is watching the closures with alarm: “What message are we sending" when a bank branch is abandoned and stands empty? "Is my neighborhood not a priority?"

One day in 1984, I received a call from a housing group on New York City’s Lower East Side, which had learned of the planned closing of the only commercial bank branch serving a low-income, largely immigrant area of 100 square blocks and 55,000 people. “What signal does it send,” they asked, “just as we had begun to make progress driving out the drug dealers and turning the neighborhood around?” The community mobilized, threatened a Community Reinvestment Act (CRA) challenge, and with my organization’s help, waged a two-year campaign to charter a community development credit union (CDCU). Serving the community through 9-11, the Great Recession, and now, through a pandemic, the Lower East Side People’s Federal Credit Union has thrived, with $72 million in assets, 8,000 members, and additional branches in East Harlem and Staten Island.

Banks closed a record 3,300 branches over the last year, in rural America and poor urban neighborhoods alike. It is not only the large banks that have departed. My own bank, a relatively small institution with a famously progressive social policy, recently closed its branches in low-income neighborhoods of Brooklyn and the Bronx. I can vouch for the inconvenience it has caused.

The good news is this. High-performing community development financial institutions (CDFIs) like Southern Bancorp (headquartered in Little Rock) and Hope Credit Union (Jackson, MS) have been working to fill the gaps. The recent COVID-19 relief legislation provided $12 billion in appropriations for CDFIs and minority banks. It may not be enough to close all the gaps and reclaim “banking deserts.” But it offers the greatest possibility I’ve seen in my 40-year career to advance financial equity in communities of color.

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