



LITTLE ROCK

# BANK DESERTS

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## ADDRESSING LITTLE ROCK'S BANK DESERTS

*As banks across the nation relocate their branches from low and moderate income neighborhoods to affluent ones in major urban centers, minority communities are suffering the consequences. Nowhere is this more prevalent or more damaging than in Little Rock, Arkansas.*

Four years ago, Bank of America (BoFA) made an interesting business decision. It began closing all of its branches in the state of Indiana. In a sweeping move, it sold all of its old storefronts in financially transitioning “Rust Belt” towns. Then a few months later, the bank opened branches in entirely new locations around the state.

In an April 17, 2017 article in the Wall Street Journal, entitled “How Bank of America Ditched 1,597 Branches Across the U.S.”, the paper undertook extensive investigative reporting to understand why BoFA made this fundamental strategic change, in Indiana and elsewhere. The Journal’s comprehensive reporting soon traced a definite pattern, a bank footprint that moved from rural communities and wound up in more affluent urban neighborhoods.



Where we are  
**TODAY**



The paper was able to trace a demographic shift into what was a more desirable, or at least more desired, market. The median income, unemployment, education, and, crucially, the diversity index or racial profile of the new neighborhoods, showed a marked change from the previous locations. It appears that BofA was consciously targeting “whiter”, more affluent neighborhoods. Over the past ten years, the rate of bank penetration – or the ease of access to banking services - in Indiana has dropped by about 11%.

This trend is not limited to Bank of America, or to the state of Indiana, and not everybody is happy about it. Members of Congress are demanding banks comply with the provisions of the 1977 Community Reinvestment Act (CRA). The CRA requires banks to demonstrate that they are helping to improve access to mainstream financial services in areas that historically have been denied wealth-building opportunities. BofA's presence would have grown, especially in LMI (low to moderate-income) communities, if its primary mandate had been compliance with CRA. However, one need not look far to see the reasons for banks behaving in this way, even if CRA is intended to counter precisely this kind of behavior.

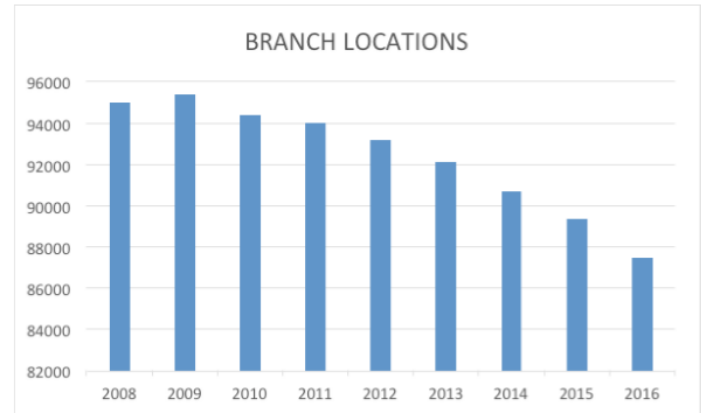
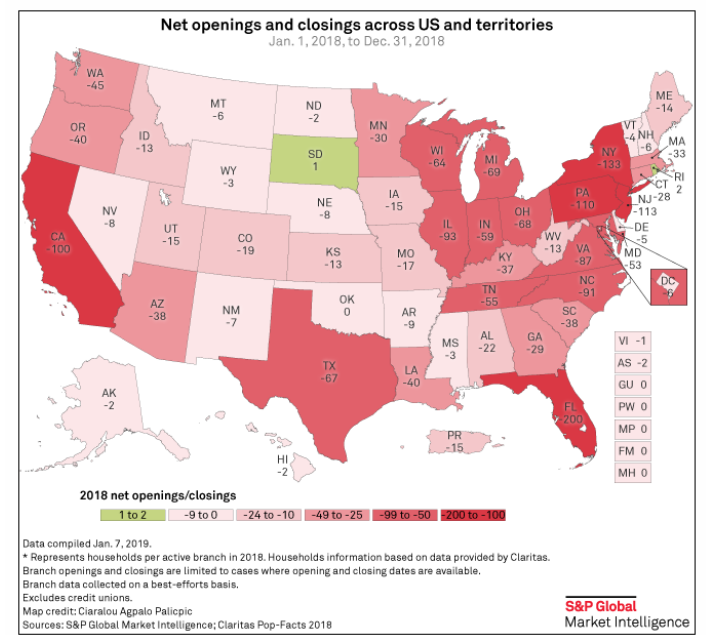


Figure 1: Decrease in all full-service bank branch locations nationally, 2008-2016 (Source: FDIC data and author's calculations)



The operations of most banks have undergone a change that requires a greater focus toward middle income and affluent neighborhoods. This strategy is not an entirely new industry phenomenon as we have seen it over and over again; at least since the financial crisis of 2006. Since then, approximately 5,000 bank locations across the country have closed. A closer examination of this pattern reveals the bank boardroom decision making process looks something like this: "Shut low performing, high cost urban and LMI branches and relocate to communities with a more affluent demographic profile."

The strategy of closing some branches while opening others makes extraordinary business sense, particularly in a free-market, profit-oriented society. However, the banking industry is not caught up in the cut-throat competitive environment defined by other sectors. Banks benefit from government cushions, interventions, subsidies, and other benefits not enjoyed by other industries. Banks enjoy these unique privileges precisely to encourage broad access to quality financial services and to prevent LMI communities falling prey to predatory lenders.

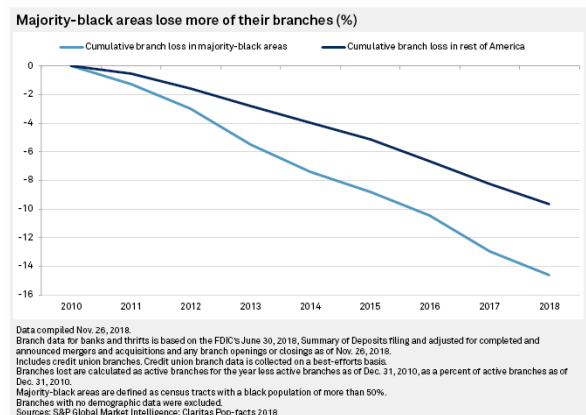
Office closings have become a trend. The National Community Reinvestment Coalition (NCRC) describes this in their research memo titled "Bank Branch Closures from 2008 - 2016: Unequal Impact in America's Heartland." The report traced about 4,900 brick-and-mortar branches shuttered within the 8-year time-frame since the Great Recession. This represents a more than 5% reduction in offices nationwide.

## WHAT DOES THIS HAVE TO DO WITH ARKANSAS?

In 2018, the statistics of banks closure vis-à-vis new branches opening showed a net impact in favor of bank closures. A report released by S&P Global noted that 2018 was an unusually high year for closures. But while all areas suffered to a degree, the impact on states with a higher percentage of minorities was particularly severe.

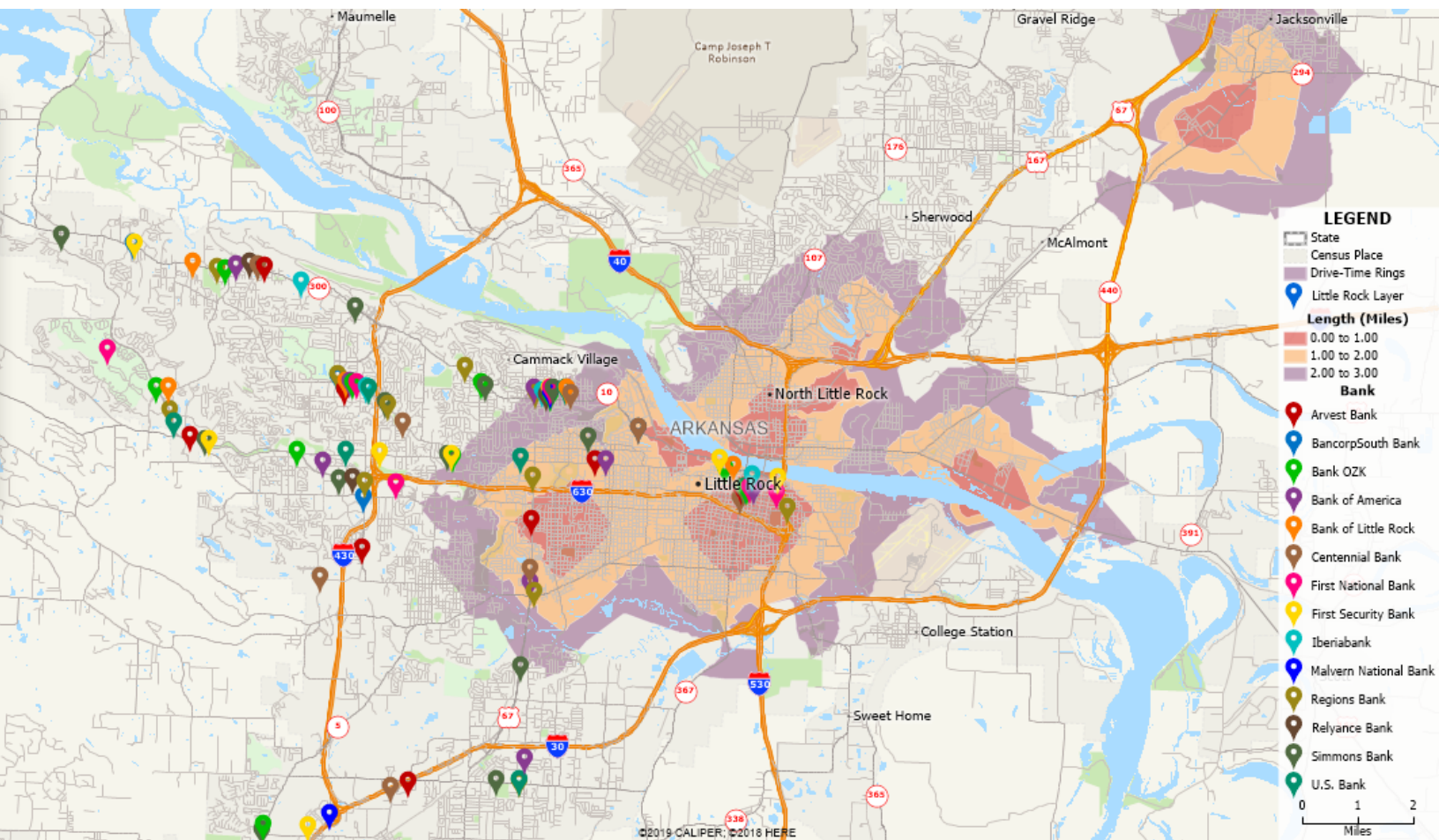
When discussing bank closures and the increasing decentralization of credit, one state leads the pack – Arkansas. Increasing numbers of bank closures and restrictive laws have converged to ensure that access to non-predatory, brick-and-mortar financial services is almost non-existent in the state. The Federal Reserve notes that the City of Little Rock stands out among other metropolitan areas, have taken significant hits in bank losses over the past ten years. Although the population increased by 13%, there was a reduction of nearly 10% of available bank branches over the same period.

A picture is worth a thousand words. Beyond the immediate take away of the image, there is a need to dig into why it shows what it shows and what must be done. To that end, we compiled a list of the banks operating in Little Rock from the Federal Reserve, Federal Depository Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC), and Arkansas State Bank Department. Comparing the geographic dispersion of these banks with the demographic information revealed the need for urgent action. A strategic imperative must focus on reducing the number of branch closures and improving access to mainstream ending services within LMI and minority communities.





## LITTLE ROCK BANK/OPPORTUNITY ZONES



In a coordinated effort aimed at reversing this trend and improving investment in these communities, federal, state, and local economic development agencies previously teamed up to establish Opportunity Zones. These zones are designed to promote development in census tracts deemed to be financially distressed as a result of historically low investments. Expectedly, the effect of this historically low level of investment now plays out in the form of high rates of poverty, blight, unemployment and crime. These areas typically record extremely low rates of homeownership and capital investment. With Opportunity Zones, authorities can identify areas that require intensive investments.

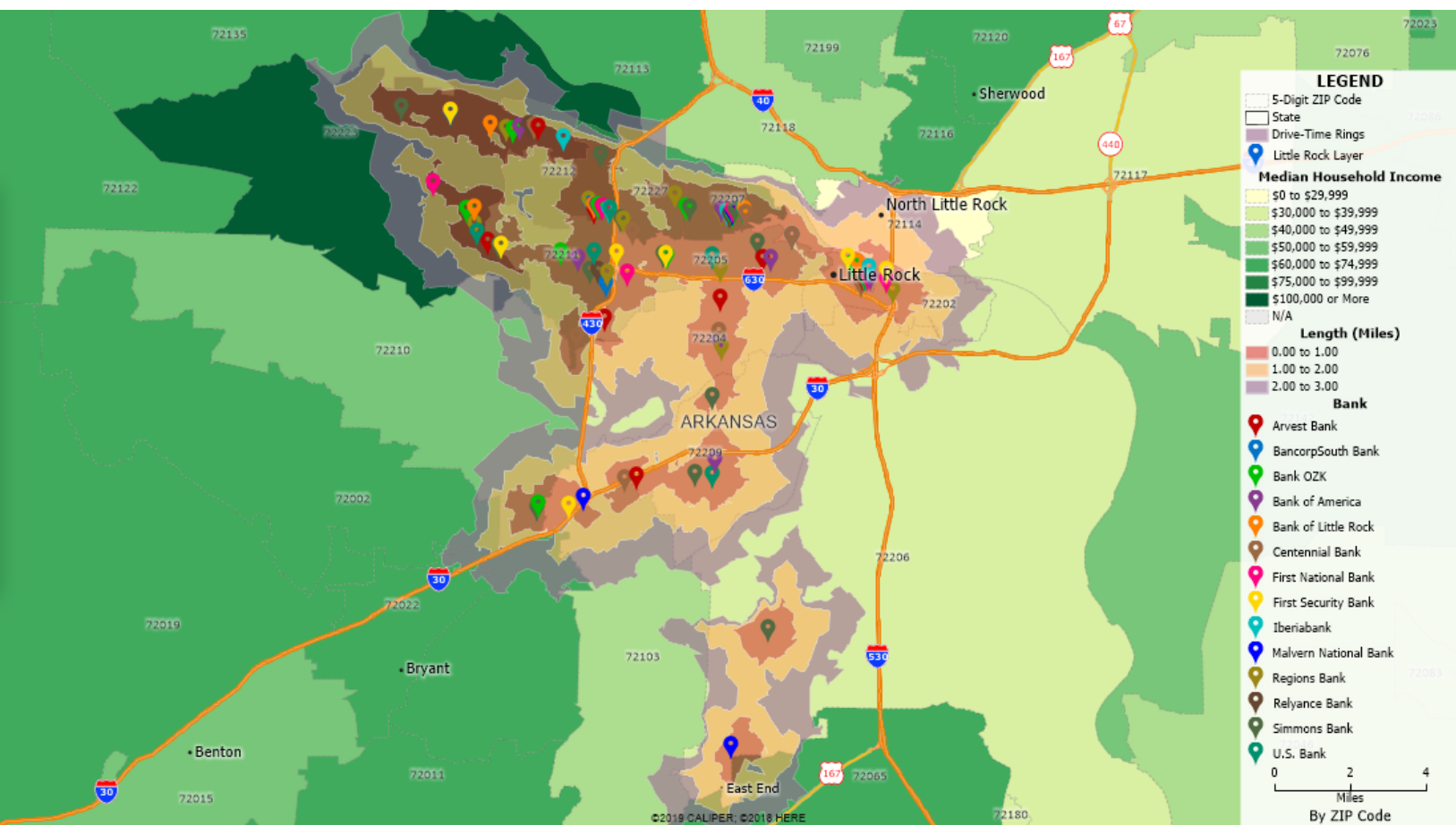
The diagram above is a representation of the eight (8) Opportunity Zones in Pulaski County, which includes Little Rock. The actual size of the zone has been estimated as census tracts can range from a few blocks to miles, based on it being an urban, suburban, or rural area. Estimates reflect a one, two, and three-mile coverage area around the census tracts. Since Little Rock is a metropolitan area, this might be slightly larger than the actual size. This diagram provides a backdrop to estimate bank penetration in the specific area under study. It shows the locations of larger banks compared to the government-endorsed Opportunity Zones. (See Page 9 for the to raw evaluative data.)



Looking at the diagrammatic representation, the majority of banks in Little Rock fall outside of the Opportunity Zones. The immediate conclusion to be drawn, looking at the diagram, is that LMI communities captured within the Opportunity Zones are mostly not being served by banks. The few banks that fall within these areas are primarily situated along major thoroughfares. We can infer that these branch locations are designed to offer convenience for commuters.

## LITTLE ROCK BANK/MEDIAN INCOME LAYER

The next map examines bank spread based on median income. The subsequent maps, along with this one, move from Opportunity Zones to evaluating the one, two, and three-mile radius and demographic profile of banks in Little Rock. In other words, instead of determining the demographic profile of Opportunity Zones, we identify the bank target markets. Industry standards suggest that banks consider a two-mile circular radius as the definitive geographic market or type of consumers that they wish to attract.

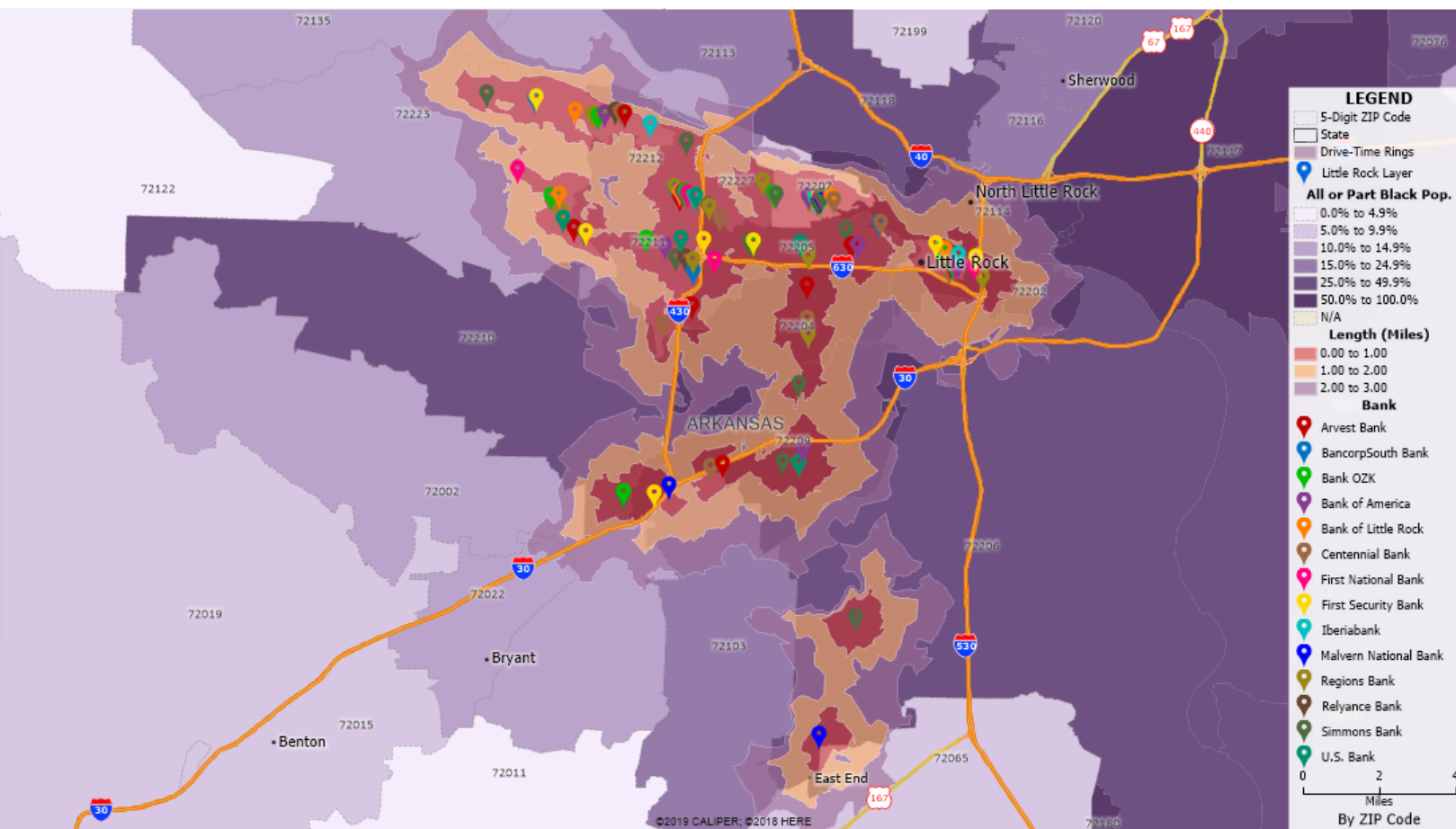


The areas shaded in darker green represent communities with higher median incomes. Looking at the map, notice that most banks are either located in downtown Little Rock or within these darker shaded areas. The branches in lower-income communities are not as concentrated as in these two areas, and they are located along major thoroughfares as well.



## LITTLE ROCK BANK/AFRICAN-AMERICAN LAYER

African-Americans make up 15.4% of the demography of the state of Arkansas. Of that percentage, Little Rock is home to 42%. Thus African-American communities are widely spread throughout the city as the map below demonstrates. The immediate perception would be that the spread of banks within these communities is merely "adequate." The story soon begins to change when you drill down into the operational dynamics of these banks. The banks in these communities offer depository services but do not provide credit in times of need.



Similar to the median income, the areas shaded in darker purple represent communities with higher concentrations of African-Americans. Again, most banks are either located in downtown Little Rock or within the lighter shaded areas.














## THE NEED FOR A DELUGE OF BANKS

This analysis is not designed to single out one bank since the closure or relocation of bank branches by all banks reflect a national trend. BoFA is no different from others that have made business decisions based on their pursuit of community impact, market share, and profits.

Banks are pulling out of urban communities, such as Little Rock. This does not bode well for communities that sorely need mainstream financial services over the long-term. When banks are unable to offer healthy financial choices, there is a recipe for other unhealthy alternatives to creep in. After all, nature abhors a vacuum. It is then very pertinent that all hands must be on deck to stem the challenging situation which the departure of mainstream banking creates. Local, State, and Federal government must all work together with relevant stakeholders in the community to reverse these emerging trends. To do otherwise would negatively impact the limited wealth that people of color and poor white people possess, further deepening the economic woes of these groups.

### Banks closed more branches in majority-black areas

	JPMorganChase 		Bank of America 		WELLS FARGO 		Rest of industry	
	Majority-black	Rest of U.S.	Majority-black	Rest of U.S.	Majority-black	Rest of U.S.	Majority-black	Rest of U.S.
2010 active	241	4,957	326	5,694	268	6,287	3,102	76,698
+ Openings	13	807	4	140	24	232	260	6,787
- Closings	68	816	99	1,185	30	887	696	14,734
= Net closings	55	9	95	1,045	6	655	436	7,947
Portion lost (%)	22.8 	0.2 	29.1 	18.4 	2.2 	10.4 	14.1 	10.4 
2018 active	186	4,946	220	4,249	262	5,611	2,678	69,262

Data compiled April 29, 2019.

Analysis based on Federal Deposit Insurance Corp.'s Summary of Deposits filings for 2010 and 2018.

Excludes administrative offices and credit union branches.

Net closures do not fully explain the difference between 2010 and 2018 because of service type changes (e.g. a full-service branch became an administrative branch) and branch divestitures to credit unions.

Majority-black areas are defined as census tracts with a black population of 50% or more based on 2010 data from Claritas.

During the period, Bank of America Corp. sold 410 branches. These divestitures were excluded from the closure analysis and not included in the company's 2018 active footprint.

Branch data collected on best-efforts basis.

Credit: CatWeeks

Sources: S&P Global Market Intelligence; Claritas Pop-Facts 2019



# LITTLE ROCK OPPORTUNITY ZONE LAYERS

	0 To 1 Miles	1 To 2 Miles	2 To 3 Miles
Attribute			
Drive-Time Rings.ID	1	2	3
Estimated Median HH_Income	\$32,136	\$34,427	\$47,907
Estimated % Change in Median HH_Income	6.50%	2.70%	2.93%
Average HH_Income	\$46,344	\$48,345	\$64,643
% Change in Average HH_Income	6.43%	3.10%	4.59%
HH_Income <\$10K	1,091	2,167	1,452
HH_Income \$10K-14,999	790	1,258	797
HH_Income \$15K-24,999	914	1,941	1,841
HH_Income \$25K-34,999	1,023	1,728	1,487
HH_Income \$35K-49,999	1,170	1,894	2,109
HH_Income \$50K-74,999	842	1,899	2,398
HH_Income \$75K-99,999	452	1,043	1,423
HH_Income \$100K-149,999	424	742	1,340
HH_Income \$150K-199,999	96	232	461
HH_Income \$200K+	129	317	549
Population	16,016	32,126	33,701
% Change in Population	-2.24%	-0.48%	0.15%
Male	7,746	15,639	16,105
Female	8,270	16,488	17,595
Age 18+	12,760	24,958	26,002
Daytime Age 18+	39,826	66,738	35,432
Age 65+	2,145	4,070	4,476
White	5,006	11,977	17,756
Black	10,398	18,112	13,299
American Indian	45	67	49
Asian	94	847	803
Hawaiian	0	6	13
Other Race	109	285	532
2+ Races	363	832	1,249
Hispanic Origin	522	1,021	1,837
Households	6,932	13,220	13,858

# LITTLE ROCK BANK LAYERS

	0 To 1 Miles	1 To 2 Miles	2 To 3 Miles
Attribute			
Drive-Time Rings.ID	1	2	3
Estimated Median HH_Income	\$55,084	\$53,354	\$49,659
Estimated % Change in Median HH_Income	2.23%	4.18%	1.82%
Average HH_Income	\$77,453	\$71,556	\$66,774
% Change in Average HH_Income	4.50%	5.08%	2.83%
HH_Income <\$10K	3,229	2,890	1,499
HH_Income \$10K-14,999	1,683	1,815	945
HH_Income \$15K-24,999	4,612	3,600	1,736
HH_Income \$25K-34,999	4,287	3,445	1,555
HH_Income \$35K-49,999	6,134	4,318	1,889
HH_Income \$50K-74,999	7,005	4,480	1,985
HH_Income \$75K-99,999	4,299	2,587	1,220
HH_Income \$100K-149,999	4,381	3,179	1,202
HH_Income \$150K-199,999	1,975	1,339	538
HH_Income \$200K+	2,594	1,636	617
Population	94,830	74,745	34,468
% Change in Population	1.10%	0.30%	-0.68%
Male	46,092	35,840	16,434
Female	48,738	38,906	18,033
Age 18+	73,822	56,003	25,545
Daytime Age 18+	150,495	66,869	27,975
Age 65+	13,003	9,787	4,597
White	54,977	34,921	16,053
Black	32,529	34,602	16,261
American Indian	155	136	75
Asian	3,163	1,714	604
Hawaiian	65	59	7
Other Race	1,097	1,584	625
2+ Races	2,845	1,729	844
Hispanic Origin	4,612	6,085	2,633
Households	40,200	29,290	13,186