

U.S. Bank hopes \$100B community plan will advance the MUFG Union Bank merger

Article

The news: U.S. Bank announced a \$100 billion community benefits plan to accompany the proposed merger with California-based **MUFG Union Bank**, per a [press](#) release.

Minneapolis-based U.S. Bank first [disclosed](#) its acquisition plans last September. **The deal is worth approximately \$17.6 billion.** The bank said then it expected it to be finalized during H1 22; however, according to American Banker, [a recent regulatory filing](#) was more equivocal about the timing.

More on this: The bank, which met with over 200 community groups, hopes the plan will muster support from the community to push the merger forward. Key points the bank outlines include:

- Increased mortgage lending by **20% nationally** and by **30% to non-white and low-to moderate-income borrowers** (LMI) in California.
- Increased lending to small businesses and farms by **15% nationally** and **25% in California.**
- Consideration of community input before closing any branches in the region.

The bigger picture: The U.S. Bank-MUFG Union Bank merger is occurring against a **backdrop of regulatory overhaul and related uncertainty** about what kinds of deals are likely to be approved. This includes potentially changing the criteria around the Community Reinvestment Act (CRA), which is key to the evaluation of merger proposals.

Lately, regulatory approvals of big bank mergers have stalled. For example, **New York Community Bank** and Michigan-based **Flagstar** recently [extended](#) their merger timeline, closing in on a two-year period as they await for **Federal Reserve** approval. Regulators have been outspoken about their reasoning for the delays.

On May 5, the **Federal Deposit Insurance Corp** (FDIC), the Federal Reserve, and the **Office of the Comptroller of the Currency** (OCC) called for [strengthening](#) the CRA. The CRA overhaul, which encourages banks to help meet the credit needs of their local communities, including LMI neighborhoods, would consist of

- Tougher examinations for larger banks.
- New assessment criteria for some banks to determine if they meet CRA standards.
- Clarification on which bank activities would qualify as CRA credit.

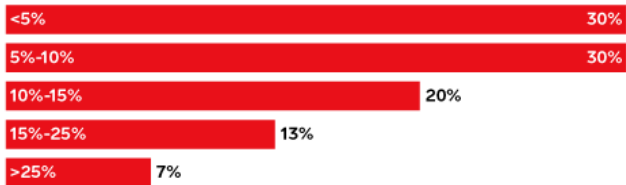
On May 9, the OCC [called](#) for an examination of the bank merger framework, stating that the current framework presents an increased risk of mergers that diminish competition, hurt communities, and present systemic risk.

The big takeaway: U.S. Bank’s community plan appears to be a reactive move to push the merger forward—but if it’s successful, it may also help lay the groundwork for future bank merger propositions. Aside from winning the support of regulators, banks need to focus on the communities they are entering, as social equity is becoming an important value to consumers when choosing their banks.

- **PNC** announced a similar **\$88 billion** community [plan](#) last year when it acquired **BBVA US**.
- A **Deloitte [report](#)** stated that incumbent banks could stand to lose up to **10% of their market share** to digital challengers if they do not seriously serve underrepresented affinity groups.

Percentage of Branches Closed* According to US Community Bank Executives, Nov 2021

% of respondents



Note: numbers may not add up to 100% due to rounding; *in the past 12 months
Source: Wipfli, "State of Community Banking," Jan 19, 2022

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