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Advocates want First Citizens to take over responsibility for SVB's $11B community benefits plan

Article

The news: Now that **First Citizens Bank** has purchased **Silicon Valley Bank**'s remaining deposits and loans, questions are arising around what will happen to SVB's established $11.2 billion community benefits plan, per American Banker.

Plan details: SVB Financial Group negotiated the community benefits plan when it purchased **Boston Private Financial Holdings** in July 2021.

- The plan, which was designed to run until December 2026, allocated $9 billion to benefit small businesses and low- and moderate-income households in California, along with another allocation for charitable donations.
- In its first active year, the agreement established a fixed-rate home purchase or refinance plan, increased the bank's community development lending, and set up an action opportunity fund to benefit immigrant and women-owned businesses.

In limbo: First Citizens' acquisition of SVB has left supporters of the benefits plan questioning whether it will survive. When the FDIC put SVB's assets up for sale, it didn't stipulate that the community action plan must also be implemented.

- A petition organized by the California Reinvestment Coalition garnered 20,000 signatures advocating for the FDIC to require SVB's buyer to continue to plan.
- Maxine Waters, member of the House Financial Services Committee, wrote a letter to FDIC chair Martin Gruenberg asking him to ensure SVB's acquirer upholds all of SVB's commitments to communities.

Some advocates are hopeful the plan will stay alive in some shape or form. First Citizens already has its own $16 billion community benefits plan, which was tied to its 2021 acquisition of CIT. While SVB's plan may not continue in its current form, it could be incorporated in some way with First Citizen's plan. Many advocates see First Citizens' openness to discussions regarding SVB's plan as a good sign.

You get benefits, you get benefits: In recent months, we've seen a trend of banks hoping for regulatory approval of a pending merger or acquisition agreement establishing a community benefits plan to sweeten the deal. Notably, many of the banks are smaller, regional banks—similar to the banks that were the source of the recent banking upheaval.

- Last year, **BMO** created a $40 million deal to aid in its merger deal with **Bank of the West**. That deal was approved earlier this year.

- Also last year, **U.S. Bank** established a $100 billion plan to push through its merger with **MUFG Union Bank**. That deal was approved earlier this year as well.
- This year, **TD Bank** and **First Horizon Bank** delayed their proposed merger agreement to create a benefits plan that would include new branches in minority communities around Charlotte, North Carolina. That deal is still awaiting approval.

Sweets can rot your teeth: Currently, no regulatory framework covers what happens after a bank establishes a community benefits plan. And a lot of things can go wrong in that time.

- **No follow-through:** Regulators see the benefit plans as vital to the communities affected by the merger, and are therefore keen on approving them. But that's where regulation ends. Regulators don't hold the banks accountable to their promises, such as in the case of **KeyBank**. But they should.
- **Bank collapse:** There's also no plan in the event that a bank with a community plan fails, such as what's happening now with SVB. Not all banks would be as open to discussions as First Citizens, so laying out expectations up front would save time and prevent lengthy, tense conversations.
- **Forced acquisition:** While no community benefits plans were in play with UBS's government-organized acquisition of Credit Suisse, a situation in which a smaller bank is forced to acquire another regional bank could have many implications for the acquirer. If a bank is forced to take on a community benefits plan, regulators must help with implementation if the buyer isn't fully prepared to continue it.

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