

February 9, 2024

Paul Worthing
Regional Director – San Francisco Region
Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, CA 94105

Re: Community Reinvestment Act (CRA) Protest Against the Acquisition of First Financial Northwest Bank (Certificate No. 29058) of Renton, Washington by Global Credit Union of Anchorage, Alaska

Dear Director Worthing,

The Independent Community Bankers of America ("ICBA")¹ respectfully submits this Community Reinvestment Act ("CRA") protest in opposition to the acquisition of First Financial Northwest Bank of Renton, Washington by Global Credit Union of Anchorage, Alaska.² We have long objected to the acquisition of taxpaying community banks that are subject to the CRA by tax-exempt credit unions, which are exempt from the CRA. We believe that such acquisitions reduce the combined institutions' commitment and accountability to making loans in Low- and Moderate- Income ("LMI") communities, reduce the level of qualifying community development lending and investment, and harm consumers. This acquisition is particularly troubling due to First Financial Northwest Bank's record of receiving "Outstanding" CRA ratings because we believe that the combined institution will be very unlikely to maintain that high level of lending and investment once it becomes CRA-exempt.

The Credit Union Exemption from CRA

Unlike banks, credit unions are not subject to the requirements of the Community Reinvestment Act. Credit union industry advocates have argued that their exemption from CRA is appropriate because CRA requires a bank to meet the credit need of its entire community, including LMI

¹ The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services. With nearly 50,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding more than \$5.8 trillion in assets, over \$4.8 trillion in deposits, and more than \$3.5 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

² CRA protests are defined in 12 CFR 303.2(l).

neighborhoods³ whereas a credit union is limited to serving customers within its field of membership who are united by a common bond or community.⁴ When field of membership restrictions were meaningfully enforced and credit unions remained committed to serving people of modest means, this argument might have had some merit. But it no longer reflects the reality of the modern credit unions who take advantage of their tax-exempt status to acquire taxpaying commercial banks.

Global agreed to purchase First Financial Northwest for \$231.2 million, an eye-watering premium of 55.49% from where First Financial Northwest's stock was trading prior to the deal being announced. It is unclear to us how Global's existing members of modest means are made better off by their credit union paying such a market distorting premium to acquire a bank outside their credit union's core market.

Recent reviews posted on personal finance website Wallethub support the thesis that Global Credit Union has lost its consumer focus. A review by a customer posted on January 2, 2024 reads:

"I've been a customer for 25 years, but ever since they changed the name from AKUSA to Global, the customer service has been horrible. Wait times are typically 25 to 30 minutes, and the people on the phones are unhelpful. Now they have lost my direct deposit. I've just about had enough. If this is not resolved soon, I am going to another credit union. I do not recommend Global CU."⁵

Another review from October 5, 2023 reads:

"I have been with Global for over 25 years. I was mostly happy until the merger [between Alaska USA Federal Credit Union and Global Credit Union of Spokane, Washington] 6 months ago. Now there are a myriad of problems, and after 7 or 8 phone calls of at least a half an hour of hold time each, nothing has been fixed."⁶

Both reviewers, like 48% of those who reviewed Global Credit Union on the website, rated it 1 out of 5 stars.

Assessing the Convenience and Needs of the Community

The Federal Deposit Insurance Act requires the FDIC to issue prior approval before a bank can "transfer assets to any noninsured bank or institution [including a credit union] in consideration of the assumption of liabilities for any portion of the deposits made in such insured depository institution."⁷ The FDIC may reject such a transfer pursuant to the Bank Merger Act based on its

³ 12 USC 2903(a)(1).

⁴ 12 USC 1759(b).

⁵ Brianna Smith, "Review of Global Credit Union," posted on Wallethub.com (Jan. 2, 2024) (accessed Jan. 16, 2024), available at <https://wallethub.com/profile/global-credit-union-13313830i> and attached as Exhibit A.

⁶ Lori Graham, Review of Global Credit Union," posted on Wallethub.com (Oct. 5, 2023) (accessed Jan. 16, 2024), available at <https://wallethub.com/profile/global-credit-union-13313830i> and attached as Exhibit A.

⁷ 12 USC 1828(c)(1)(C).

consideration of the “convenience and needs of the community” to be served, including the record of performance under the CRA of the acquiring and acquired institutions.⁸

The problem, of course, is that when it comes to reviewing the CRA record of Global Credit Union, there is no CRA record to review. FDIC should, however, review Global’s data reported under the Home Mortgage Data Act (“HMDA”). Based on recent reports of discriminatory lending by Navy Federal Credit Union, we know that other large credit unions have a record of taking advantage of their reduced regulatory scrutiny to engage in what appears to be discriminatory conduct.⁹

If this transaction is allowed to proceed by the FDIC, the public will lose valuable transparency into the lending and investment done by GCU and will be less able to determine whether it arbitrarily excludes LMI areas or customers. Furthermore, given that credit unions are subject to less frequent fair lending exams than banks, there is a greater likelihood of discriminatory conduct going undetected.

The CRA Record of First Financial Northwest

By contrast, we can review the CRA performance of First Financial Northwest. The bank received an “outstanding” CRA rating on its last performance evaluation, dated August 2, 2021, with a “high satisfactory” score on the Lending Test and an “outstanding” score on the Investment Test and Service Test.¹⁰ While a high CRA score would normally be a positive factor in the FDIC’s consideration of a bank merger, in this case, it must cut the other way. Because the combined institution will be exempt from CRA, it will not have the regulatory incentive to maintain this high level of performance. This will be to the detriment of the bank’s community and customers.

According to the Performance Evaluation, between 2019 and 2020, First Financial Northwest made a total of 506 small business loans worth \$66.53 million, including 154 small business loans in LMI census tracts. If First Financial Northwest is acquired by Global, we expect to see the level of small business lending in the area to decrease. Community banks are leaders in small business lending while credit unions are legally constrained in the amount of small business lending they are permitted to originate.¹¹

⁸ 12 CFR 225.13(b)(3).

⁹ A CNN investigation found that “Navy Federal Credit Union, which lends to military servicemembers and veterans, approved more than 75% of the White borrowers who applied for a new conventional home purchase mortgage in 2022, according to the most recent data available from the Consumer Financial Protection Bureau. But less than 50% of Black borrowers who applied for the same type of loan were approved.” Casey Tolan, Audrey Ash and Rene Marsh, CNN, “The nation’s largest credit union rejected more than half its Black conventional mortgage applicants” (Dec. 14, 2023), available at: <https://www.cnn.com/2023/12/14/business/navy-federal-credit-union-black-applicants-invs/index.html>.

¹⁰ FDIC, Division of Depositor and Consumer Protection, San Francisco Regional Office, “Community Reinvestment Act Performance Evaluation, First Financial Northwest Bank” (Aug. 2, 2021), available at: https://crapes.fdic.gov/publish/2021/29058_210802.PDF.

¹¹ Credit union business lending is constrained by the member business loan cap, which prohibits credit unions from making “any member business loan that would result in a total amount of such loans outstanding at that credit union at any one time equal to more than the lesser of – (1) 1.75 times the actual net worth of the credit union; or (2) 1.75 times the minimum net worth required [by statute].” 12 USC 1757a(a). Though there are several

The superiority of community banks to credit unions as small business lenders is borne out by the Federal Reserve Banks' 2023 Report on Employer Firms.¹² That survey of small businesses found that small banks (defined as banks with less than \$10 billion in deposits) were used by 43% of small business customers, versus just 8% for credit unions. Small banks were the most likely to at least partially approve small business credit applications (82% approval rates versus 65% at credit unions) and had the highest net satisfaction of any evaluated category of lenders at 81%. If this acquisition is permitted, both the existing and potential small business loan customers, including those in LMI areas, will likely be less well served.

With regard to community development ("CD"), according to First Financial Northwest's most recent CRA performance evaluation, "FFNWB is a leader in making CD loans" and "the institution has an excellent level of qualified CD investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors."¹³ From 2018 to 2021, First Financial Northwest made \$103,025,000 of qualifying community development loans, including \$73,014,000 in loans to support affordable housing. This represented 9.5% of average total loans, which is higher than industry average.

In its most recent exam period, First Financial Northwest had 88 qualifying CD investments or grants totaling \$23,793,000. This included \$2,317,000 in grants, which can be particularly impactful since they do not have to be repaid, supporting affordable housing and community services. These investments and grants included a donation of "\$2.0 million toward a community center that will provide community services to low-income populations in King County. This center is located in an elementary school where 60.9 percent of the students are eligible for free or reduced lunch." They also included a donation of "\$18,000 to purchase financial literacy software for use in schools in the AA where at least 50.0 percent of students qualify for free or reduced lunch."¹⁴

It is impossible to determine whether all these loans and investments would have been made if First Financial Northwest was not subject to CRA. Furthermore, it is impossible to determine whether similar loans and investments will be made going forward if First Financial Northwest is acquired by Global Credit Union. Both the public and the FDIC is unable to measure whether Global Credit Union has a similar record of lending to homebuyers and small businesses in LMI areas or making loans and investments in affordable housing and community services because credit unions have no equivalent to CRA reporting.

exceptions and loopholes that allow credit unions to circumvent this legal limit, community banks are still the industry leaders in the small business lending market, and we believe that the small business customers of First Financial Northwest will be less well served if this acquisition is permitted to proceed.

¹² Federal Reserve Banks, "2023 Report on Employer Firms: Findings from the 2022 Small Business Credit Survey," 2023, Small Business Credit Survey, available at <https://doi.org/10.55350/sbcs-20230308>.

¹³ *Supra* note 10 at p. 12, 13.

¹⁴ *Supra* note 10 at p. 13.

More Transparency Needed

If this acquisition is permitted to proceed, the public will lose that transparency going forward with respect to First Financial Northwest. Given the sheer size of Global, we recommend that the FDIC inquire or request the following:

- **Fair Lending:** While FDIC reviews thousands of banks for compliance with fair lending laws every year, NCUA only conducts approximately 50 annual fair lending exams of credit unions. FDIC should review Global's latest fair lending exam findings. If a fair lending review has not been conducted within the last 5 years, then Global Credit Union should be reviewed for compliance with fair lending laws.
- **Review of Complaints:** In 2021, the NCUA Inspector General found that NCUA does not investigate whether laws were actually broken when overseeing complaints: "Based on our review of complaints, we determined that the agency's consumer complaint process focuses mostly on assisting consumers with resolving consumer complaints with their credit union as opposed to determining whether the credit union has violated a law or regulation." The FDIC should review complaints made about Global to adequately determine whether its acquisition of First Financial will meet the convenience and needs of the community that will lose its bank.
- **Transparency on fees.** While community banks with assets of \$2 billion or greater are required to report fee revenue derived from overdraft, no credit union of any size – even \$10 billion credit unions – are federally required to report overdraft revenue. FDIC should review and publicly disclose the total fees that Global has charged its members over the last several years.
- **Community Development Lending.** FDIC should require Global Credit Union to maintain community development lending and investment at the same level as First Financial Northwest Bank in the banks' assessment area and submit to voluntary public reporting and examination by the National Credit Union Administration or a third-party auditor.
- **Community Services and Affordable Housing.** FDIC should require Global Credit Union to submit information about loans and investments it has made to support community services and affordable housing it has previously made in the communities it serves so that its record of meeting the convenience and needs of its communities can be evaluated pursuant to the Bank Merger Act.

Conclusion

We are aware that the FDIC cannot unilaterally change federal policy to prohibit the acquisition of community banks by tax-exempt, CRA-exempt credit unions. However, that does not mean that all such transactions must be approved without regulatory scrutiny. The FDIC has the legal authority to reject transactions based on its consideration of the "convenience and needs of the community" to

be served, including the record of performance under the CRA of the acquiring and acquired institutions. We urge the agency to use that authority here.

Without the submission of additional data demonstrating its past record of community development lending and investment, the FDIC cannot evaluate Global Credit Union's record of meeting the convenience and needs of its communities. Without written commitments to voluntarily undergo CRA-like evaluations going forward, the agency cannot be assured that the high level of CRA lending and investment of First Financial Northwest Bank will be maintained going forward. For these reasons, the FDIC can and should reject this proposed acquisition.

Thank you in advance for your consideration of this CRA Protest. We urge you to act swiftly and decisively to reject this proposed merger which will not benefit the small businesses or LMI customers of First Financial Northwest Bank's assessment area. Please feel free to contact me at Mickey.Marshall@icba.org if you have any questions about the positions stated in this letter.

Sincerely,



Mickey Marshall
AVP and Regulatory Counsel

CC:

Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation

Travis Hill
Vice Chairman
Federal Deposit Insurance Corporation

Jonathan McKernan
Director
Federal Deposit Insurance Corporation

Michael J. Hsu
Director, Federal Deposit Insurance Corporation
Acting Comptroller of the Currency

Rohit Chopra
Director, Federal Deposit Insurance Corporation
Director, Consumer Financial Protection Bureau

Exhibit A



Brianna Smith

January 2, 2024 • @briodo1



I've been a customer for 25 years, but ever since they changed the name from AKUSA to Global, the customer service has been horrible. Wait times are typically 25 to 30 minutes, and the people on the phones are unhelpful. Now they have lost my direct deposit. I've just about had enough. If this is not resolved soon, I am going to another credit union. I do not recommend Global CU.

[Comment](#) 0 0



Lori Graham

October 5, 2023 • @snlgraham



I have been with Global for over 25 years. I was mostly happy until the merger 6 months ago. Now there are a myriad of problems, and after 7 or 8 phone calls of at least a half an hour of hold time each, nothing has been fixed. I now have to have separate log ins for each of my accounts, which is frustrating. Also, my account information on the website is completely different than what is on the app both with my checking/savings accounts and my credit card. Trying to sort it out, all of the transaction amounts are out of order and there is no column that keeps track of the running total. Called to try and get help and they said the name I was giving them was not the one on the account. I verified that they had the right account number and read my name right off of the paper statement. They refused to help me because it doesn't match. I have spent so much time unsuccessfully trying to fix things. There are too many issues to list here. I hate to switch banks, but my finances have become completely unmanageable. Can't believe I have put up with this for 6 months. I am starting to look for a new bank.

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