California Reinvestment Coalition

February 3, 2023

Kathy L. Moe, Regional Director
Janet R. Kincaid, Deputy Regional Director
Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105
Via email: kmoe@fdic.gov
Via email: JKincaid@fdic.gov

Re: Community group opposition to the application by Washington Federal to acquire Luther Burbank Savings

Dear Regional Director Moe and Deputy Regional Director Kincaid,

The undersigned fifty-four (54) California and national community, civil rights, tenants' rights, and climate justice nonprofit organizations respectfully submit this comment letter concerning the application by Washington Federal to acquire Luther Burbank Savings. We believe that applicants have failed to demonstrate that: 1) the merger will provide a clear public benefit, 2) the pro forma bank will meet the convenience and needs of impacted communities, and 3) both banks have helped to meet community credit needs. Additionally, we believe this application raises serious fair housing, systemic risk, and managerial resource concerns.

The California Reinvestment Coalition builds an inclusive and fair economy that meets the needs of communities of color and low-income communities by ensuring that banks and other corporations invest and conduct business in our communities in a just and equitable manner. We envision a future in which people of color and low-income people live and participate fully and equally in financially healthy and stable communities without fear of displacement and have the tools necessary to build household and community wealth.

Given the complex and broad issues raised by this merger, we request that the FDIC extend the comment period and hold public hearings to inform the public record on which the FDIC can base its decision. We urge the FDIC to deny this merger application. In the alternative, we believe the FDIC must impose substantial conditions to ensure that fair housing, community reinvestment, displacement, climate, and managerial concerns are addressed.

We note the following concerns with this proposed merger:

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1. Discrimination is unfair, the CFPB is essential, and regulatory oversight must be respected.

CRC[1], CRC members, and our allies[2] nationwide were distressed to see the American Bankers Association (ABA) and other industry trade groups sue the Consumer Financial Protection Bureau (CFPB) for clarifying and confirming in its examination manual that discrimination may be an unfair and deceptive practice.[3] The ABA and other plaintiffs not only challenged this CFPB clarification, which was designed to help ferret out and penalize illegal and invidious discrimination, but they also challenged the very constitutionality of the CFPB by virtue of how the agency is funded.

Washington Federal CEO Brent Beardall[4] is currently serving a three-year term on the board of directors of the ABA.[5] This raises the following questions related to fair housing, anti-discrimination, and managerial resource concerns:

- Is it the position of Washington Federal that discrimination is not an unfair and deceptive practice?
- Does Washington Federal question the constitutionality of the CFPB, which is one of Washington Federal's regulators?
- Will Washington Federal respond to any actions by the CFPB that it views as unfavorable - be it in the form of rules, investigations, examinations, fines, enforcement, or other actions - by suing the CFPB and asserting its unconstitutionality?
- Does Washington Federal likewise question the constitutionality of the FDIC, its prudential bank regulator, which, similar to the CFPB, does not fund its operations solely from funds appropriated by Congress?[6]

The answers to these questions go to the heart of this application. Can California customers and communities impacted by the merger expect that Washington Federal will take all necessary measures, and respect all regulatory oversight, authority and actions that are designed to root out discrimination in all its forms? If not, how can this merger be said to serve the convenience and needs of California and other impacted communities?

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[1] https://calreinvest.org/press-release/crc-comments-on-lawsuit-filed-against-cfpb/

[2] https://democracyforward.org/updates/chamber-v-cfpb-release/?sourceid=1100771&emci=5f922ea2-4382-ed11-9d7a-000d3a9eb913&emdi=ffdc8965-fc82-ed11-9d7a-000d3a9eb913&ceid=26033116 . Additionally, a December 1, 2022 letter of concern organized by Americans for Financial Reform and sent to the plaintiffs was endorsed by over 50 organizations. https://ourfinancialsecurity.org/2022/12/letters-letter-calling-on-the-u-s-chamber-of-commerce-to-drop-lawsuit-against-the-cfpb/

[3] https://www.chamberlitigation.com/sites/default/files/cases/files/22222222/Complaint%20--%20Chamber%20of%20Commerce%20v.%20CFPB%20%28E.D.%20Tex.%29.pdf

[4] We understand that Mr. Beardall has recently been involved in a serious accident. Our concerns in this letter go to the merits of this application and the important legal and policy considerations it raises. We wish Mr. Beardall a speedy and full recovery.

[5] https://accountable.us/research/despite-rhetoric-against-discrimination-major-banks-leading-industry-groups-behind-cfpb-lawsuit-have-spent-nearly-1-billion-in-discrimination-settlements-over-past-decade/

[6] https://www.politico.com/news/magazine/2023/01/18/supreme-court-financial-system-justices-00078124

Indeed, according to Accountable US,

> CEO Brent Beardall admitted that "we have real issues that need to be addressed" including "systemic racism" and "the wealth gap," But the REALITY is that the bank has faced two separate CFPB penalties totaling $234,000 for massive mortgage data errors the Bureau said could hinder efforts to fight discrimination. Former CFPB Director Richard Cordray said WaFD's flawed data "'makes it more difficult for the CFPB to discover and stop discriminatory lending.'"[7]

Mr. Beardall's service on the board of directors of the ABA at the very time the ABA has chosen to challenge the CFPB's constitutionality for daring to clarify that discrimination may be an unfair practice raises further questions whether managerial resources[8] here are aligned with anti-discrimination principles and respect for our system of regulatory oversight of financial institutions.

Managerial resource questions are further raised by the Office of the Comptroller of the Currency's (OCC's) September 2018 consent order with Washington Federal's predecessor bank, wherein the OCC found that Washington Federal failed to appropriately follow the mandates of the Bank Secrecy Act and its related reporting obligations. In September of 2021, the OCC imposed a $2.5 Million civil monetary penalty in response to Washington Federal's violations.[9]

2. Luther Burbank's lending performance raises fair housing concerns.

For its part, Luther Burbank entered into a settlement agreement with the Department of Justice in September of 2012 to settle allegations that it engaged in a pattern or practice of discriminating in its mortgage lending on the basis of race and national origin.[10]

Looking at Luther Burbank's mortgage performance in 2021, the most recent year for which data are publicly available, we find disparities.

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[7] https://accountable.us/research/despite-rhetoric-against-discrimination-major-banks-leading-industry-groups-behind-cfpb-lawsuit-have-spent-nearly-1-billion-in-discrimination-settlements-over-past-decade/ . Washington Federal has been subject to two separate consent orders with the CFPB, in 2020 and 2013, relating to HMDA violations.

[8] (FDIC Summary of Investigation) comments should include an analysis of each institution's corporate governance practices as well as a review of managements' past responsiveness to regulatory recommendations. https://www.fdic.gov/regulations/applications/resources/apps-proc-manual/section-04-mergers.pdf

[9] https://www.occ.gov/static/enforcement-actions/ea2021-040.pdf

[10] https://www.justice.gov/opa/pr/justice-department-reaches-settlement-luther-burbank-savings-resolve-allegations-lending#:~:text=The%20complaint%20alleges%20that%20from%202006%20through%202010%2C%20Luther%20Burbank,majority%2Dminority%20tracts%20throughout%20California.

Compared to its peers[11] in its main market in the Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area (MSA), the Bank did a poor job serving majority-minority, majority Black-Latine, Latine, and Asian American census tracts. Concerning disparities can be seen in Luther Burbank's market share for application taken in these neighborhoods:

Neighborhood	Market Share	# of home loan applications taken from census tracts
White	.06%	204
Black	.04%	7
Majority Black/Latine	.02%	51
Majority-minority	.02%	77
Latine	.01%	32
Asian American	.01%	2

Luther Burbank had a market share that was 6x greater in white neighborhoods than it had in Latine and Asian American neighborhoods in the LA area, where it took in only 32 and 2 home loans applications, respectively, despite the fact that there are 1,214 Latine census tracts and 148 Asian American census tracts in the MSA. We believe that these market share disparities in Luther Burbank's outreach to 1) Majority Black/Latine, 2) Majority-minority, 3) Latine, and 4) Asian American census tracts are statistically significant.[12]

Concerning disparities exist also in Luther Burbank's originations in the LA MSA, compared to its peers:

Borrower/Neighborhood	% Luther Burbank originations	% of peer lender originations
LMI borrowers	.5%	15.2%
White borrowers	43.5%	36.8%
African American borrowers	4.3%	4.3%
Latine borrowers	8.2%	20.7%
Asian American borrowers	5.8%	16.6%
Borrower Race Not Reported	24.6%	2.2%
LMI census tracts	11.1%	19.3%
Majority Minority census tracts	27%	56.8%

[11] This market share analysis looks at Luther Burbank's market penetration compared to its peers, defined as those institutions with no more than twice as much and no less than half as much of the lending business as Luther Burbank.

[12] This analysis was conducted using "Redlining Risk" reports generated with Lending Performance software and which indicate when disparities are statistically significant.

Luther Burbank exceeded peer performance in its LA MSA only with regard to lending to White borrowers, and in not reporting applicant race data. Strikingly, Luther Burbank was less than half as likely to originate loans in neighborhoods of color in its LA MSA as its peers. Further, as noted below, at least one of Luther Burbank's landlord borrowers has been subject to a fair housing complaint.

3. Luther Burbank's multifamily lending raises displacement and community credit concerns.

Not every loan is a good loan, and not all investment is beneficial to communities. In recent years, CRC and allies have raised concerns about bank financing of displacement, where financial institutions originate loans to landlords they know or should know operate under a business model characterized by attempts to force tenants out of their homes in favor of wealthier occupants. This is accomplished by raising rents, harassing, or evicting tenants, and/or subjecting tenants to poor living conditions. We feel that such loans cannot be said to help meet community credit needs and should never receive favorable consideration under the Community Reinvestment Act (CRA). In CRC comments to the federal banking regulators on proposed CRA changes, we have argued that such loans should result in CRA ratings downgrades.[13]

Luther Burbank maintains a large commercial real estate lending business. This business line has been cited favorably by Washington Federal in investor presentations discussing the proposed merger.[14]

But we have concerns that Luther Burbank does not have in place sufficient due diligence policies and procedures to ensure that it is not financing displacement or problematic landlords. Public records reflect that Luther Burbank has originated loans to a number of landlords that have received unfavorable media attention, that community groups believe are not well serving their tenants and/or whose properties have been subject to local Code citations.[15]

According to one news article, Luther Burbank is listed as the lender of record on one or more properties owned by K3 Holdings, a landlord sued by 16 of its tenants for fair housing and other violations. Tenants allege that K3 Holdings targets immigrants as it attempts to push them out of rent stabilized apartments, harassing them, and coercing them to sign documents written in English agreeing to buyouts or rent increases. One "mother of three says that her Koreatown building's manager regularly threatened to have her deported as part of the displacement campaign."[16] The K3 Tenants Council maintains that K3's employees and subcontractors use campaigns of harassment, deception, and terror to

[13] https://calreinvest.org/wp-content/uploads/2022/08/CRC_NPR-CRA-Letter_082022.pdf
[14] https://ir.lutherburbanksavings.com/static-files/97072ff2-28c0-42ee-b0a1-800bd7da8f76
[15] Data on code enforcement violations were from the Los Angeles County Department of Public Health (DPH) and analyzed by Strategic Actions for a Just Economy (SAJE). Data from all sources were processed through QGIS, and further tabulation was done in Excel. All cartographic representations were composed in QGIS. The Environmental Health Division of the Los Angeles County Department of Public Health is responsible for ensuring that residential housing is safe, sanitary, and fit for human habitation. This is accomplished through Routine Inspections of rental property with 5 and/or more units, and investigations of complaints involving any housing sites. For more on LA DPH, see http://publichealth.lacounty.gov/eh/business/housing.htm
[16] https://capitalandmain.com/while-an-industry-feeds-on-the-destruction-of-rent-control-help-is-on-the-way

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coerce vulnerable families into signing "voluntary vacate agreements," commonly known as cash-for-keys offers.[17] In 2021, Housing Rights Council of Southern California filed a fair housing complaint against K3 Holdings.[18]

CRC contacted Luther Burbank to request a meeting in order to discuss the Capital and Main article, our concerns about the bank's financing of displacement, and the bank's anti-displacement policies. The bank politely deferred, noting that it did not believe such a meeting would enhance its efforts. Another bank named in the same article did agree to a meeting and participated in a constructive discussion about displacement financing and our Anti Displacement Code of Conduct.[19] [20]

According to another media report on K3 Holdings, "The casualties are tenants who are displaced or stuck in uninhabitable conditions that severely compromise their mental and/or physical health. For instance, K3/Alpine is denying one tenant, who suffers from severe asthma, access to an inspection report about black mold in their apartment that they need for their health insurance to cover further tests and treatment. Another K3/Alpine tenant's property manager left a dead rat in a bag with the tenant's name written on it outside their building after they complained about conditions in their unit. That tenant, terrified, ultimately moved out."[21]

We believe that Luther Burbank has also originated 28 loans to Swami International, Monark, Mittal, and affiliated property owners.[22] According to extensive research and analysis by Strategic Actions for a Just Economy (SAJE), Swami International Property Management is connected to over forty other LLCs, LPs, and other corporations.[23] From September 2017 through March 2020, Swami, Monark and affiliates racked up four hundred sixty (460) code violations according to data obtained from the Los Angeles County Department of Public Health.[24] Tenants living in Swami controlled properties reportedly have been subjected to leaks, roaches, mice, and eviction threats, and filed lawsuits

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[17] https://www.k3tc.org/home#page-section-6160938a101e8616533a7809

[18] https://abc7.com/rent-rent-control-tenants-k3-holdings/11596188/

[19] https://calreinvest.org/about/code-of-conduct/

[20] We note also that CRC, in conjunction with the Greenlining Institute, issued a data request to several banks serving California communities, and Luther Burbank failed to respond. In contrast, several financial institutions have responded to the CRC/Greenlining Institute general data request, providing information about their reinvestment activities.

[21] https://jacobin.com/2022/12/landlords-los-angeles-tenant-protections-housing-department

[22] For a visual representation of the Swami International LLC network, see: https://calreinvest.org/wp-content/uploads/2023/01/4.-Swami-International-LLC-web-visual.pdf

[23] The methodology employed by SAJE includes matching and associating properties to the same owner/landlord by using the mailing address. See also, Alexander Ferrer, "Beyond Wall Street Landlords," Strategic Actions for a Just Economy, 2021, available at: https://www.saje.net/wp-content/uploads/2021/03/Final_A-Just-Recovery-Series_Beyond_Wall_Street.pdf

[24] Data on code enforcement violations were from the Los Angeles County Department of Public Health (DPH). Data from all sources were processed through QGIS, and further tabulation was done in Excel. All cartographic representations were composed in QGIS. The Environmental Health Division of the Los Angeles County Department of Public Health is responsible for ensuring that residential housing is safe, sanitary, and fit for human habitation. This is accomplished through Routine Inspections of rental property with 5 and/or more units, and investigations of complaints involving any housing sites. For more on LA DPH, see http://publichealth.lacounty.gov/eh/business/housing.htm

against their landlords.[25] We believe that Luther Burbank has funded landlords responsible for hundreds of Code violations and an untold number of evictions.

Further, a research report by the California Reinvestment Coalition and the Anti Eviction Mapping Project in 2018 found that Luther Burbank was a lender to problematic Oakland landlords, as identified by Oakland based community organizations.[26]

Luther Burbank received an Outstanding rating on the Lending Test on its most recent CRA Performance Evaluation, in large part, due to its community development lending. We are concerned that this rating was based on the Bank's market rate loans to for-profit landlords, some of whom tenant and community groups are actively opposing due to their poor treatment of residents. We believe the FDIC must scrutinize the loan portfolio of Luther Burbank and Washington Federal to determine whether the banks are financing transactions that foreseeably are leading to increased rents, harassment, poor living conditions, or eviction and displacement of the very LMI tenants and neighborhoods that the CRA is meant to lift up. Such activity can only severely damage the credit needs of communities, subjecting consumers to financial distress, damaged credit, housing instability and homelessness. Such financing also places wealth building opportunities through homeownership and business ownership further out of reach for impacted tenants. This is the antithesis of CRA. The FDIC must ensure that banks do not receive favorable CRA consideration for problematic lending, and that it is not relying here on CRA ratings that were inflated by problematic lending. Further, the FDIC must ensure that the banks have adequate policies in place to mitigate against displacement financing going forward, something that Luther Burbank was unwilling to discuss with us. Finally, the banks and the FDIC must address community group concern that Luther Burbank Savings has not been sufficiently involved in affordable housing lending and LIHTC investing.

The FDIC should determine how many code violations and evictions Luther Burbank borrowers are responsible for and reject this merger proposal until the Applicants put in place anti-displacement policies and procedures consistent with the CRC Anti-Displacement Code of Conduct.

4. WaFd's oil and gas funding + Luther Burbank's physical CA footprint = greater climate risk.

We are concerned that any combined institution will be vulnerable to greater climate risk. This merger represents a perfect storm of climate-related physical and transition risks.

We can think of no greater threat to our financial system and quality of life than climate change. Bank financing of climate change poses serious physical and transition risks to financial institutions. With California bombarded by atmospheric river induced flooding, just as it recovers from unforgiving wildfires, the Luther Burbank footprint is nestled

[25] https://sacramento.newsreview.com/2021/10/18/california-fair-housing-advocates-say-banks-should-hold-problematic-landlords-accountable/; and https://capitalandmain.com/los-angeles-tenants-the-rents-getting-too-damn-high-0827
[26] https://calreinvest.org/wp-content/uploads/2018/07/Disrupting-Displacement-Financing.pdf

in the heart of significant climate hot spots that pose grave physical risks to the Luther Burbank portfolio and its customers. How are the banks and the FDIC accounting for this risk?

Of even greater concern to us is the threat to LMI communities and communities of color that are meant to benefit from bank activities under the CRA, but which are threatened by climate change that substantially impairs community financial and physical health. As climate change negatively impacts LMI and communities of color, they become vulnerable to higher costs and decreased availability of credit and insurance products as they are deemed too “risky” by the financial institutions that financed the very climate harm from which they suffer. CRC members are already reporting that fire impacted communities are facing challenges securing insurance coverage and are being preyed upon by scammers purporting to offer help, but instead ripping off families and making it harder for them to pay their bills.

While climate concerns have generally centered around the largest financial institutions,[27] we note that Washington Federal appears active in this market. This highlights the systemic risk issues raised by this merger. “As climate change simultaneously, repeatedly, and often permanently affects natural and human systems across geographic areas—and as borrowers and taxpayers struggle to pay their bills in response—many community banks and municipalities, ignored by the trickle-down approach, could fail. A report to the US Commodity Futures Trading Commission suggests that such repeated ‘subsystemic’ shocks are initiating ‘*a systemic crisis in slow motion*.’”[28]

The proposed merger exposes climate-related transition risks. Since the Paris Accords, Washington Federal has provided financing to energy and oil and gas companies which are using Washington Federal funds to expand their business. In fact, a 2020 earnings report from Washington Federal identified $294 million in outstanding C&I loans to Oil and Gas.[29] We offer a few examples.

In 2021, Washington Federal increased to $75 million the master borrowing base of U.S. Energy Development Corporation, an oil and gas drilling exploration and production firm that has invested in, operated and/or drilled approximately 2,400 wells in 13 states and Canada. “We are grateful for our continued partnership with Washington Federal," said Jordan Jayson, CEO of U.S. Energy. "This increased borrowing base provides U.S. Energy with additional capacity to acquire more high-quality assets in our core focus areas."[30]

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[27] We note disapprovingly that the Federal Reserve’s Proposed Risk Management Guidance on Climate-Related Financial Risks for Large Financial Institutions exempts community banks (https://www.federalreserve.gov/newsevents/pressreleases/files/other20221202b2.pdf). We note approvingly the Proposed Guidance for New York State Regulated Banking and Mortgage Institutions Relating to Management of Material Financial Risks from Climate Change, which would include community banks (https://www.dfs.ny.gov/industry_guidance/climate_change).

[28] https://www.science.org/doi/10.1126/science.ade2017

[29] https://www.wafdbank.com/documents/financial-news/2020/wafd-bank-exhibit-99-1_june-2020-earnings-release-and-supplement-final.pdf

[30] https://www.prnewswire.com/news-releases/us-energy-development-corporation-upsizes-borrowing-base-301428798.html

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Washington Federal also served as administrative agent, lead arranger and bookrunner on a November 30, 2018, Credit Agreement with RMX providing for a $50.0 million four-year senior secured revolving credit facility for a joint venture partnership involving RMX, and Royale Energy, Inc, an independent oil and gas producer.[31]

As recently as November 2022, Washington Federal was co-lead on a $30 million revolving facility to Slant Energy Holdings, which lists as its sponsor Pearl Energy Investment Management LLC, a private equity firm, specializing in oil and gas expansions.[32]

And in December 2022, after this merger was announced, the Bank provided a senior lending facility to Nostra Terra Oil and Gas, increasing its borrowing base by 30% or $1 million.[33] This was not the first time Washington Federal has funded Nostra Terra. In 2018, it funded the Oil and Gas company $5 million for which the company CEO noted “We're excited to be working with such a strong energy lender as Washington Federal that endorses our plans to grow production, cash flow, and the size of the facility… The new funds of the facility will allow us in 2018 to quicken the pace of drilling our 24 drill ready locations, make further progress in Egypt and seek new acquisitions to add value to the company." Nostra intends to use the funds to accelerate growth, focusing on increasing free cash flow generation. Specifically, the cash is earmarked for a planned new program of drilling.[34]

Further, a preliminary look at Payment Protection Program (PPP) data suggests that Washington Federal ensured that its oil and gas customers were able to take advantage of this government sponsored, pandemic relief program. We count ninety-one (91) PPP loans that Washington Federal extended to businesses characterized as “Mining, Quarrying, and Oil and Gas Extraction” companies, including two loans to U.S. Energy Development Corporation in amounts totaling over $2 million. We estimate that Washington Federal earned over $400,000 in fees for extending PPP loans to Mining, Quarrying and Oil and Gas Extraction companies.[35]

Any merged entity will have more safety and soundness concerns due to climate-related financial risks. Combining Washington Federal’ transition risk and Luther Burbank’s physical risk will result in an entity with more difficulty managing climate risk and complying with bank climate supervision.

Washington Federal should publicly disclose any and all of its scope 3 emissions, including all financing, funding, or underwriting of fossil fuel and other climate-harming industries,[36] and should make countervailing yet larger

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[31] https://www.royl.com/wp-content/uploads/2021/10/2021_10K_To_Be_Printed_ROYALE_ENERGY-INC_10K_2021.pdf

[32] Research provided on this transaction by RAN, 2023.

[33] https://www.marketscreener.com/quote/stock/NOSTRA-TERRA-OIL-AND-GAS-4005085/news/IN-BRIEF-Nostra-Terra-increases-senior-lending-facility-by-30-42562159/

[34] https://www.proactiveinvestors.com/companies/news/189646/nostra-terra-oil-and-gas-secures-us5mln-funding-deal-189646.html and https://www.energy-pedia.com/news/general/nostra-terra-announces-new-usd5million-senior-lending-facility-172534

[35] CRC analysis of PPP loan data.

[36] As one starting point, the Net Zero Banking Alliance has reporting standards that may serve as a guide. https://www.unepfi.org/net-zero-banking/commitment/

commitments to fund climate resiliency in communities of color most impacted by the climate crisis. The bank should identify how it is accounting for physical and transition risk to the business of the bank and its customers, and how it will ensure that LMI communities and communities of color will not suffer from unavailable or unaffordable products due to assessments that these communities, disproportionately impacted by climate change, are too risky. Consistent with the findings of the International Energy Agency that no new oil and gas fields beyond those already approved for development are needed to meet human demands under a Net Zero Emissions by 2050 scenario, and that any further fossil fuel expansion will jeopardize the goal of limiting global warming to 1.5C,[37] Washington Federal must commit to end the financing of companies that are expanding fossil fuel operations.

5. Mergers usually result in job losses, less community reinvestment, and less consumer access.

There is considerable evidence that bank consolidation threatens consumer wellbeing by impairing the rights of bank and credit union workers.[38] Washington Federal has indicated to investors that "minimal" reductions in employment may occur, and in its application to the FDIC notes that, "WaFd Bank anticipates some redundant personnel reductions in connection with the integration process."[39]

We are also concerned that mergers result in higher fees and less accessible bank accounts for consumers.[40] Luther Burbank Savings may have more consumer-friendly Overdraft (OD) and Non-Sufficient Funds (NSF) fee policies than Washington Federal. According to Consolidated Reports of Condition and Income through the first three quarters of 2022, Washington Federal charged and collected over $3 million in overdraft related fees, while Luther Burbank Savings collected only $15,000.

We urge the Banks and the regulators to commit and require that no California workers will lose their jobs or have their hours reduced as a result of this transaction, that no bank customer will be vulnerable to higher fee, opening balance or related account features and that community reinvestment, anti-discrimination, and consumer protection measures will increase with any new, combined institution.

[37] https://www.iea.org/reports/net-zero-by-2050

[38] Committee for Better Banks, "Public Comments on Bank Merger Competitive Analysis," February 15, 2022 letter to the Department of Justice, citing House Committee on Financial Services, Testimony of Desiree Jackson, The Future of Banking: How Consolidation, Nonbank Competition, and Technology are Reshaping the Banking System, 117th Cong., September 29, 2021.

[39] BANK MERGER ACT APPLICATION of WASHINGTON FEDERAL BANK to merge with LUTHER BURBANK SAVINGS January 6, 2023, p. 11.

[40] A 2018 Harvard study found that when bigger banks take over smaller banks, the increase in deposit account fees and minimum balance requirements causes nearly two percent of deposits to exit annually and that deposit growth is 12 percent lower after four years. See Dixon, Amanda. "Survey: Rising ATM and overdraft fees leave consumers paying much more than they did 20 years ago." Bankrate. October 2, 2019.

6. Greater transparency is required to determine whether the merger will benefit or harm the public.

Washington Federal improperly seeks confidential treatment for information that would inform the public record. As the application to the FDIC notes, "WaFd Bank has been, and in certain instances continues to be, involved in litigation or investigations by local, state, or federal authorities that is currently pending, or was resolved within the last two years. See Confidential Exhibit C-7."[41] But since litigation is generally a matter of public record, the applicants have no expectation of privacy or right to confidentiality. This information should be disclosed.

In contrast, Washington Federal provides a great deal of information under Exhibit 5: CRA Plan and Programs. Unfortunately, the exhibit does not appear to include any information relating to CRA Plans and Programs. Instead, the exhibit provides information relating to compliance. All we are left with regarding the Bank's plan to reinvest in communities is its reporting of commitments to community development lending, investment, and contributions, which appear to be low for a bank of its size.

We urge the FDIC to make public what the Bank identifies as "Confidential Exhibit C-7," require Washington Federal to develop and disclose its CRA and Fair Lending plans for California and other states in its footprint and hold public hearings in order to enable all stakeholders impacted by the Applicants to be heard and to inform the public record upon which the FDIC can better base its decision.

In conclusion, the undersigned community, civil rights, tenants' rights, and climate justice organizations oppose the proposed merger of Washington Federal and Luther Burbank and request public hearings on the matter. The banks in question have engaged in harmful practices including mortgage lending disparities and disregard for anti-discrimination oversight; lending to problematic landlords that subject tenants to poor living conditions, rising rents and displacement; and financing climate change which harms all of our communities. The proposed merger threatens to result in lost jobs for California workers, fails to demonstrate it will meet the convenience and needs of impacted communities, fails to demonstrate a public benefit, and raises questions and concerns about managerial resources, systemic risk, and respect for regulatory oversight. The merger should not be approved without substantial conditions imposed to address concerns raised.

Should you have any questions about this letter, please feel free to reach out to Kevin Stein at CRC at (415) 864-3980, or kstein@calreinvest.org.

[41] BANK MERGER ACT APPLICATION of WASHINGTON FEDERAL BANK to merge with LUTHER BURBANK SAVINGS January 6, 2023, p. 20.

California Reinvestment Coalition

Very Truly Yours,

Paulina Gonzalez-Brito
CEO

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Jamie Buell
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Endorsing Organizations:

California Reinvestment Coalition
Americans for Financial Reform Education Fund
Anti-Eviction Mapping Project
Bank On Our Future
Berkeley Student Cooperative
CA Community Land Trust Network
Cal State Fresno Office of Community and Economic Development
California Capital Financial Development Corporation
California Coalition for Rural Housing
California Housing Partnership
California Public Banking Alliance
California Rural Legal Assistance, Inc.
CASA of Oregon
CCEDA
Committee for Better Banks
Community Economics
Community Housing Development Corporation
Congregations Organized for Prophetic Engagement (COPE)
Consumers for Auto Reliability and Safety
Council of Community Housing Organizations
East Bay Housing Organizations
East Los Angeles Community Corporation
Empire Justice Center

Extinction Rebellion San Francisco Bay Area
Fair Housing Advocates of Northern California
Fair Housing Council of the San Fernando Valley
Faith and Community Empowerment
Friends of Public Banking Santa Rosa
Housing and Economic Rights Advocates (HERA)
Housing Rights Center
Housing Rights Committee of San Francisco
Inclusive Action for the City
K3 Tenant Council
Little Tokyo Service Center (LTSC) Community Development Corporation
Multicultural Real Estate Alliance For Urban Change
Oil & Gas Action Network
PCR Business Finance
Public Counsel
Public Good Law Center
Public Interest Law Project
Rainforest Action Network
Revolving Door Project
Sacramento Housing Alliance
SAJE (Strategic Actions for a Just Economy)
San Francisco Public Bank Coalition
San Joaquin Valley Housing Collaborative
Southern California Black Chamber of Commerce
Tenderloin Neighborhood Development Corporation (TNDC)
Thai Community Development Center
The Central Valley Urban Institute
The Greenlining Institute
The Sacramento Environmental Justice Coalition
Western Center on Law and Poverty
Woodstock Institute