Branch closings have become a hot consumer advocacy issue — but it doesn't help when highly inaccurate branch-closing data is reported. This observer insists that we should

SET THE RECORD STRAIGHT ON BRANCH CLOSINGS

by Kenneth H. Thomas

Several recent articles on the new consumerism movement in banking have referred to the increasing frequency of branch closings by financial institutions. This form of "debranching," in contrast to branch sales or swaps, has been the subject of criticism by consumerists and others. Such criticism potentially can play an important role in influencing policy making at financial institutions, especially if it is of a constructive type. But constructive criticism must be based upon sound and rational logic and, more important, factual data.

An example of where this latter element did not exist involved a case of a significant overstatement of the number of branch closings in New York State. Some time ago, *Newsday*, a Long Island newspaper, proclaimed a "phenomenal change in the way banks do business" because they are "shutting down branches...like never before."

Newsday quoted FDIC statistics that New York banks closed 365 branches in 1982 but opened only 65. This suggested net loss of 300 branches in one year meant that bankers were closing more than five and one-half times the number of branches they were opening.

The article contained interviews with bankers, customers, merchants, consumer group representatives, and even the State Assembly Banks Committee chairman. The startling statistics were picked up by at least one nationwide publication. The consequence — a serious black eye for the banking industry, and potentially adverse implications to state and Federal legislators.

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Unfortunately, no one at *Newsday* thought to check those statistics. Had they done so, they would have learned that 1982 was the year the FDIC stopped counting remote service EFT facilities (e.g., off-premise ATMs)as "branches" and, consequently, removed them from their branch-structure file. This statistical policy change resulted in a substantial decrease in the reported number of branches in 1982.

Both of the tables in the publicly available FDIC reports (Table 102 in *1982 Statistics on Banking* and Table 6 of *Changes Among Operating Banks and Branches, December 31, 1982*) from which *Newsday* could have obtained the 1982 branch-opening/closing data for commercial banks in New York State, clearly stated this statistical policy change in a footnote.

In fact, had *Newsday* read the footnote and checked the source data on Table 9 of the second report, they would have been able to determine that there were actually 19 commercial branch closings (not 365) in New York

State in 1982. An FDIC representative who works on this report confirmed the accuracy of the 19 closings (although the agency subsequently learned of nine more closings for 1982, that are reported in its 1983 report).

Because *Newsday* failed to check on the actual figures, all of its reported branch-closing data for the 1978-81 period were also overstated. But the relative size of the errors was nowhere near that for 1982. Again, the actual number of branch closings for these previous years could have been obtained from the respective FDIC reports after making an allowance for these classification changes, all of which were clearly noted by the agency.

Other branch-closing data problems can result from reported branch relocations (some of the more distant relocations actually represent a simultaneous closing and opening); office sales/exchanges (that may be reported as closings); office downsizings (some of which are downgraded to just an ATM but are still counted as an office and never reported as a closing); closing of adjacent and/or detached drive-in facilities (some of which may have been counted as branches); and changes in an office's status (e.g., from a main office to a branch or from a temporary or seasonal facility to a permanent one).

Legislation must not be based on such biased and inaccurate reporting.

These and other branch-closing data problems may be more difficult to detect, but the responsible researcher should check them out — even if it means examining them on a case-by-case basis.

Considering the increasing attention being given to branch closings by consumerists and others, care should be taken by all parties involved to utilize only factual data. Even though there may be some difficulties in obtaining accurate branch-closing data in some cases, these problems can be overcome through careful research. However, there is no excuse for the reporting of grossly exaggerated branch-closing statistics when the original data sources leave no room for doubt.

Unfortunately, accurate branch-closing data in the *Newsday* case may not have made for as interesting a story — especially in a state that now requires state-chartered financial institutions to provide a 90-day public notification with, among other things, reasons for a branch closing — and in a state where some of its legislators have called for new regulations making it even more difficult to close branches, and even a moratorium on all branch closings. ■

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