

COMPTROLLER'S LICENSING MANUAL

Branch Closings



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Introduction

This *Comptroller's Licensing Manual* booklet, "Branch Closings," contains a discussion of key policies and requirements for filings and customer notices pertaining to closings of national bank and federal savings association (FSA) branches. In this booklet, national banks and FSAs are collectively referred to as banks, unless otherwise noted. The booklet includes a glossary of terms and a reference section.

Section 42 of the Federal Deposit Insurance Act (section 42), 12 USC 1831r-1, requires insured depository institutions to submit advance notice of any proposed branch closing to the institution's primary federal regulator. Advance notification to the Office of the Comptroller of the Currency (OCC) and bank customers must follow specific timing and content requirements. The OCC is the primary regulator of national banks and FSAs. Section 42 requires insured banks to notify customers of a proposed closing by mail and by posting notice at the branch location to be closed. Section 42 contains additional notice requirements and provisions concerning an interstate bank proposing to close a branch in a low- or moderate-income area. The section 42 interstate bank notice requirements and provisions do not apply to an FSA. Section 42 also requires that insured banks adopt policies for branch closings.

Section 42 does not provide authority for the primary regulator to prohibit the closing of a branch. The notice requirement under section 42 assists the OCC in assessing a bank's record of opening and closing branches. The OCC reviews this record in conjunction with its examination for compliance with section 42 and in assessing performance under the Community Reinvestment Act (CRA).

The OCC, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (FDIC) adopted a "[Joint Policy Statement on Branch Closing Notices and Policies](#)" (Joint Policy Statement) in June 1999¹ to provide guidance regarding the requirements of the branch closing statute.

¹ 64 FR 34944, June 29, 1999.

Key Policies

Branch Closing Notice Requirements

Notice to the OCC

A bank that plans to close a branch office must notify the OCC. OCC notification is generally a two-step process. The first step is a 90-day advance notice sent to the appropriate OCC licensing office. The second step is a final branch closing notice sent to the appropriate OCC licensing office indicating the effective closing date.

Advance Closing Notice

A 90-day advance branch closing notice must be filed with the OCC in the following cases:

- A branch closes in the normal course of business.
- A branch closes as a result of a merger or other form of acquisition, such as a purchase and assumption, and no exception applies. While either bank may provide the required notice to customers, if the branch closes before consummation of the merger, the selling bank generally notifies its regulator. If the branch closes after consummation of the merger, the purchaser typically notifies its regulator.
- A branch relocates² outside of its immediate neighborhood.

An advance branch closing notice is not required when a branch is sold to another institution and the branch will continue to operate at the same location under the new owner.

A bank's 90-day advance notice to the OCC should include all of the information contained in the sample [Advance Branch Closing Notice](#). This information includes the following items:

- Identification of the branch to be closed (popular name, address, county, and OCC-assigned branch number).
- The proposed closing date.
- A detailed statement of the reasons for closing the branch.
- Statistical or other information that supports the reasons for closing the branch consistent with the bank's written policies on branch closings.
- Confirmation that the required advance notice to customers has been or will be made.

In addition, the bank should include a copy of the 90-day advance notice that has been or will be provided to customers.

² Relocation of a branch may require a separate application to the OCC. Refer to 12 CFR 5.30 (national banks) and 5.31 (FSAs). Refer to the *Comptroller's Licensing Manual* booklet, "[Branches and Relocations](#)."

Final Branch Closing Notice to the OCC

Immediately after the branch closes, the bank must submit a [Final Branch Closing Notice](#) to the appropriate OCC licensing office. The final notice should

- list the branch popular name, address, county, and OCC-assigned branch number.
- specify the date of the closing.
- for branches subject to the advance notice of branch closing requirements, include a statement that the bank provided the statutory 90-day advance notice of branch closing to its customers.

A final branch closing notice to the OCC is not required when the branch relocates outside of the immediate neighborhood and will continue to operate at a new location, but a 90-day advance notice of the closing *is* required. While a final branch closing notice is not required, the bank should notify the OCC of the effective relocation date.

A bank should notify the OCC of the effective date of the sale when the bank sells a branch to an institution not regulated by the OCC. The notice of the effective date of the sale permits the OCC to update its records of the selling institution's branches.

Notice to Customers

Unless an exception to the notice of branch closing requirements applies, a bank must provide affected customers notice by mail at least 90 days before the proposed branch closing. The notice may be included in the account statement mailing or sent in a separate mailing. In addition, the bank shall post the notice to branch customers in a conspicuous manner on the premises of the branch proposed to be closed at least 30 days before the proposed closing. In the case of a mobile branch or messenger service branch, the notice must be posted in a conspicuous place on the unit or vehicle. The notice shall remain posted on the branch premises until the branch closes.

The mailed notice to customers should contain

- the location of the branch proposed to be closed.
- the proposed date of closing.
- information on where customers may obtain banking services following the closing date, or a telephone number or website address for customers to contact to determine alternate location(s) of services.

A bank is expected to develop a reasonable method of allocating customers to specific branches, such as a location where a deposit or loan account was opened or through use. The OCC recognizes, however, that a reasonable method of allocation may result in certain facilities that technically constitute branches not being assigned customers. In such cases, a notice to the OCC that the branch will close and a posting of the notice on the branch premises suffices. The OCC does not require that a bank change its record-keeping system to make a reasonable determination of who is a customer of a branch.

If customers are assigned to a mobile branch or messenger service branch (collectively, mobile branch), normal customer notification requirements apply. If no customers are assigned to the mobile branch, then posting a notice on the mobile branch suffices.

Applicability of Branch Closing Requirements

Section 42 applies to the closing of a branch by an insured depository institution. The Joint Policy Statement defines a branch as a traditional brick-and-mortar branch, or any similar banking facility other than a main office, at which deposits are received, checks paid, or money lent.

Facilities Not Covered

Closings of the following non-branch facilities are not covered by branch closing notice requirements:

- Automated teller machines (ATM)
- Main or home offices
- Temporary branches³
- Remote service facilities
- Night depositories
- Trust offices
- Loan or deposit production offices
- Administrative offices
- Data-processing offices
- Electronic facilities
- FSA agency offices

Certain Relocations and Consolidations Not Covered

The branch closing provisions of section 42 do not apply when

- one or more branches relocate, within the immediate neighborhood of the branch, and this action does not substantially affect the nature of the business or the customers served.⁴ Consolidations of branches are considered relocations for the purposes of section 42 if the branches are located within the same neighborhood and the nature of the business or customer served is not affected.

³ National banks should refer to 12 CFR 5.30(d)(6).

⁴ The Joint Policy Statement provides that “relocations generally will be found to occur only when short distances are involved.” “Short distance” is defined in 12 CFR 5.3(l) as (1) within a 1,000-foot radius of the current location of the branch if it is located within the principal city of a metropolitan statistical area (MSA); (2) within a one-mile radius of the current location of the branch if the branch is not located within a principal city, but is within an MSA; or (3) within a two-mile radius of the branch if it is not located in an MSA.

- a branch closes in connection with an emergency acquisition or any assistance provided by the FDIC.⁵
- a bank acquires a branch of a failed institution per agreement with the FDIC and transfers the branch back to the FDIC pursuant to the terms of the agreement within 180 days of the acquisition.

Interruption of Services

Branch closing requirements do not apply when a bank ceases operations at a branch due to events beyond the bank's control, if the bank intends to restore branching services at the same location in a timely manner. Events beyond the bank's control generally include natural catastrophes, such as a fire or flood. If the bank decides not to reopen the branch following the incident, the bank must provide customer and regulatory notice as soon as possible after the decision is made not to reopen the branch. A bank is not required to notify the OCC of a closing caused by a temporary interruption of service, but it would normally be sound practice to do so. Under certain circumstances, such as during emergencies, a bank may establish branches under expedited procedures. For further information on emergency branches, contact the appropriate OCC licensing office or refer to the "[Branches and Relocations](#)" booklet of the *Comptroller's Licensing Manual*.

Reduction of Services

A bank may alter the operations conducted at a branch without being subject to the branch closing requirements, provided that the facility remains a branch. For example, the branch's hours of operation may be reduced, certain functions or services previously provided at that location may be eliminated, or a national bank branch may be downgraded to a night depository. Nevertheless, a bank should consider providing appropriate advance notice of service changes to customers as a good business practice even when statutory branch closing requirements are not applicable.

Mobile Branch/Messenger Service Operations

A mobile branch or messenger service branch is subject to the branch closing notice requirements if

- it will cease conducting branching transactions in the geographic area for which it was approved, or
- changes in services constitute a branch downgrade subject to branch closing requirements (e.g., a staffed mobile branch is replaced by a mobile remote service unit).

⁵ Refer to 12 USC 1821(n) and 1823(c), (f), and (k).

Termination of Lease

A bank with a leased branch location may be informed by the location's owner that the lease will be terminated or not renewed. The loss of a lease arrangement does not exempt the bank from the branch closing notice requirements. The OCC does not waive or shorten the requirements. To provide the bank with sufficient time to comply with the 90-day notice provision of 12 USC 1831r-1, lease agreements should incorporate adequate safeguards, such as a 120-day advance notice provision for termination or nonrenewal.

Requirements Applicable to Interstate National Banks

For branch closing purposes, a national bank with branches in more than one state is an interstate bank.⁶ Additional notice requirements apply to an interstate national bank proposing to close a branch located in a low- or moderate-income area.⁷ In addition to the standard notice requirements, the notice to customers and the notice placed on the branch premises must also contain

- the mailing address of the appropriate OCC licensing office.
- a statement indicating that comments on the branch closing may be mailed to that office.

The Joint Policy Statement recommends the notice state that the OCC does not have the authority to approve or prevent the branch closing.

Meetings

When an interstate national bank proposes to close a branch in a low- or moderate-income area, the law provides a process for convening a meeting. In accordance with 12 USC 1831r-1 and the Joint Policy Statement, the OCC convenes a meeting if all of the following criteria are met:

- The OCC receives a written request relating to the closing of the branch from a person in the area where the branch is located.
- The request includes a statement of specific reasons for the request, including a discussion of the closing's adverse effect on the availability of banking services in the area affected by the branch closing.
- The OCC concludes that the request is not frivolous.

When all these criteria are met, the OCC consults with community leaders in the area affected by the closing and convenes a meeting of OCC representatives; representatives of other interested depository institution regulatory agencies; community leaders in the affected area; and other such individuals, organizations, and depository institutions as the agency

⁶ Refer to 12 USC 1831r-1(d)(4)(A).

⁷ Refer to the glossary of this booklet.

deems appropriate. The meeting's purpose is to explore the feasibility of obtaining adequate alternate services for the affected area following the closing of the branch.

Federal Savings Associations

The section 42 additional notice and process requirements for interstate banks closing branches in low- or moderate-income areas do not apply to an FSA. FSAs must follow the standard customer and regulatory notice requirements.

Branch Closing Policy

Banks with one or more branches must adopt written policies for branch closings. The Joint Policy Statement provides guidance for banks developing branch closing policies and recommends that policies meet the size and needs of the bank. During the normal supervisory process, the OCC determines whether a bank has adopted a branch closing policy.

Community Reinvestment Act

In its evaluation of a bank's performance under the CRA and the assignment of CRA ratings, the OCC

- reviews a bank's record of opening and closing offices.
- evaluates the effect of those openings and closings on the affected communities.
- considers comments received on branch closings.

The OCC considers CRA performance when acting on applications by a bank to merge with another institution, establish a new branch, or relocate a branch or a main or home office.

Summary of Requirements

Tables 1 and 2 illustrate the specific branch closing notice requirements to the OCC for various closings. In addition to any branch closing notice requirement, a relocation of a branch may also require an additional or separate application or notice.

Table 1: Notice Requirements for National Banks

National banks	Advance branch closing notice	Final branch closing notice
Brick-and-mortar branch closing	Yes	Yes
Branch downgrade to ATM	Yes	Yes
Night depository closing	No	Yes
Mobile branch closing	Yes	Yes
Messenger service closing	Yes	Yes
Intermittent branch	Yes	Yes
Branch consolidation	No	Yes
Short-distance relocation	No	No
Relocation (not short distance)	Yes	No
Relocation or closing of a main office ^a	No	No
Trust office closing	No	No
Closing of a temporary branch	No	Yes
ATM closing	No	No
Emergency acquisitions/FDIC assistance ^b	No	Yes
Loan production/deposit production office closing	No	No
Remote service unit closing	No	No
Branch is sold to an institution not supervised by the OCC, but the branch continues to operate at the same location	No	Yes

^a Refer to 12 CFR 5.40 for application or notice requirements.

^b Applies only to branches transferred back to the FDIC pursuant to a failed bank acquisition agreement if closed within the 180-day "put-back" period. Branch closings after the "put-back" period must follow branch closing procedures.

Table 2: Notice Requirements for FSAs

FSAs	Advance branch closing notice	Final branch closing notice
Brick-and-mortar branch closing	Yes	Yes
Branch downgrade to ATM	Yes	Yes
Night depository closing	No	No
Mobile branch closing	Yes	Yes
Branch consolidation	No	Yes
Short-distance relocation	No	No
Relocation (not short distance)	Yes	No
Relocation or closing of a home office ^a	No	No
Closing of a temporary branch	No	Yes
ATM closing	No	No
Agency office closing	No	No
Emergency acquisitions/FDIC assistance ^b	No	Yes
Remote service unit closing	No	No
Branch is sold to an institution not supervised by the OCC, but the branch continues to operate at the same location	No	Yes

^a Refer to 12 CFR 5.40 for application or notice requirements.

^b Applies only to branches transferred back to the FDIC pursuant to a failed bank acquisition agreement if closed within the 180-day “put back” period. Branch closings after the “put-back” period must follow branch closing requirements.

Procedures

Filing Branch Closing Notices

1. Refer as needed to this booklet and the “[General Policies and Procedures](#)” booklet of the *Comptroller’s Licensing Manual* for guidance on filing required branch closing notices.
2. Send an advance branch closing notice that contains the required information to the appropriate OCC licensing office at least 90 days before the closing date (see the sample [Advance Branch Closing Notice](#)).
3. Notify customers of the proposed branch closing date by mailing notices containing the required information at least 90 days before the closing date (see the sample [Customer Notice of Branch Closing](#)). In addition, a copy of the notice sent to customers must be sent to the appropriate OCC licensing office.
4. Post a notice of the branch closing conspicuously on the premises of the branch to be closed at least 30 days before the closing date (see the sample [Customer Notice of Branch Closing](#)).
5. Send a final branch closing notice to the appropriate OCC licensing office immediately after the branch closes, as appropriate (see the sample [Final Branch Closing Notice](#)).

Glossary

Advance branch closing notice: A bank's written notice to the OCC and the bank's customers, at least 90 days in advance of a branch closing, required by 12 USC 1831r-1. With limited exceptions, this notice is required of each insured institution when it intends to close a branch.

Agency office: An FSA office established or maintained to conduct any of the following activities:

- Servicing, originating, or approving loans and contracts.
- Managing or selling real estate owned by the FSA.
- Conducting fiduciary activities or ancillary activities.
- Other activities approved by the OCC for an agency office, except for payments on savings accounts.

Agency offices of FSAs are not branches.

Branch: For the purposes of applying 12 USC 1831r-1, a traditional brick-and-mortar branch or any similar facility, other than the bank's main or home office, at which deposits are received, checks paid, or money lent. Main or home offices, remote service units, ATMs, loan or deposit production offices, and temporary branches are not branches for purposes of 12 USC 1831r-1 and do not require the advance branch closing notice.

Branch consolidation: Generally occurs when one or more branches close, and the customers of the closed branch are served by other existing branches of the bank. For the purposes of determining whether an advance branch closing notice is given, a branch consolidation is defined as a combination of branches located within the same neighborhood that does not affect substantially the nature of the business or customers served. Branch consolidations occurring where the affected branches are located within the short-distance definition in 12 CFR 5.3(1) do not require advance branch closing notices.

Branch downgrade: Reduction in the services provided at a branch that results in the location no longer being a branch. This situation includes, for example, conversion of a full-service branch to a remote service unit. Branch closing procedures apply because branch services are no longer provided at the location.

Final branch closing notice: A bank submission to the OCC that communicates a branch closing date.

Low- or moderate-income area: As provided in 12 USC 1831r-1, a census tract for which the median family income is either (1) less than 80 percent of the median family income for the metropolitan statistical area (MSA) in which the census tract is located; or (2) for a census tract not located in an MSA, less than 80 percent of the median family income for the

state in which the census tract is located, as determined without taking into account family income in MSAs in that state.

Mobile branch: A facility, other than a messenger service, that does not have a single, permanent site and includes a vehicle that travels to public locations for the conduct of branching transactions.

Night depository: A secure drop box or unit where bank customers may place cash or checks for bank personnel to retrieve and deposit later. The night depository may be attached to or integrated with an office of the bank, such as the main office or a branch.

Principal city: As defined in 12 CFR 5.3(k), the city or cities identified as a “principal city” in the relevant MSA in which the relocating office is located.⁸

Short-distance relocation: A relocation of a branch or main office within (1) a 1,000-foot radius of the site if the branch or main office is located within a principal city of an MSA; (2) a one-mile radius of the site if located within an MSA but not within a principal city; or (3) a two-mile radius of the site if not located within an MSA.

⁸ The Office of Management and Budget’s lists of metropolitan statistical areas and principal cities can be found at [Metropolitan and Micropolitan](#).

References

In this section, “NB” denotes that the referenced law, regulation, or issuance applies to national banks, and “FSA” denotes the reference applies to federal savings associations.

Branches

Law 12 USC 36 (NB), 12 USC 1464(m), 1464(r) (FSA)
Regulation 12 CFR 5.30 (NB), 12 CFR 5.31 (FSA)

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Law 12 USC 1831r-1 (NB and FSA)

Community Reinvestment Act of 1977

Law 12 USC 2901 et seq. (NB and FSA)
Regulation 12 CFR 25 (NB), 12 CFR 195 (FSA)