5th District
Footprint
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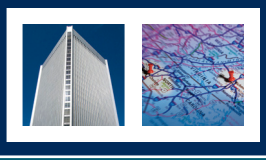
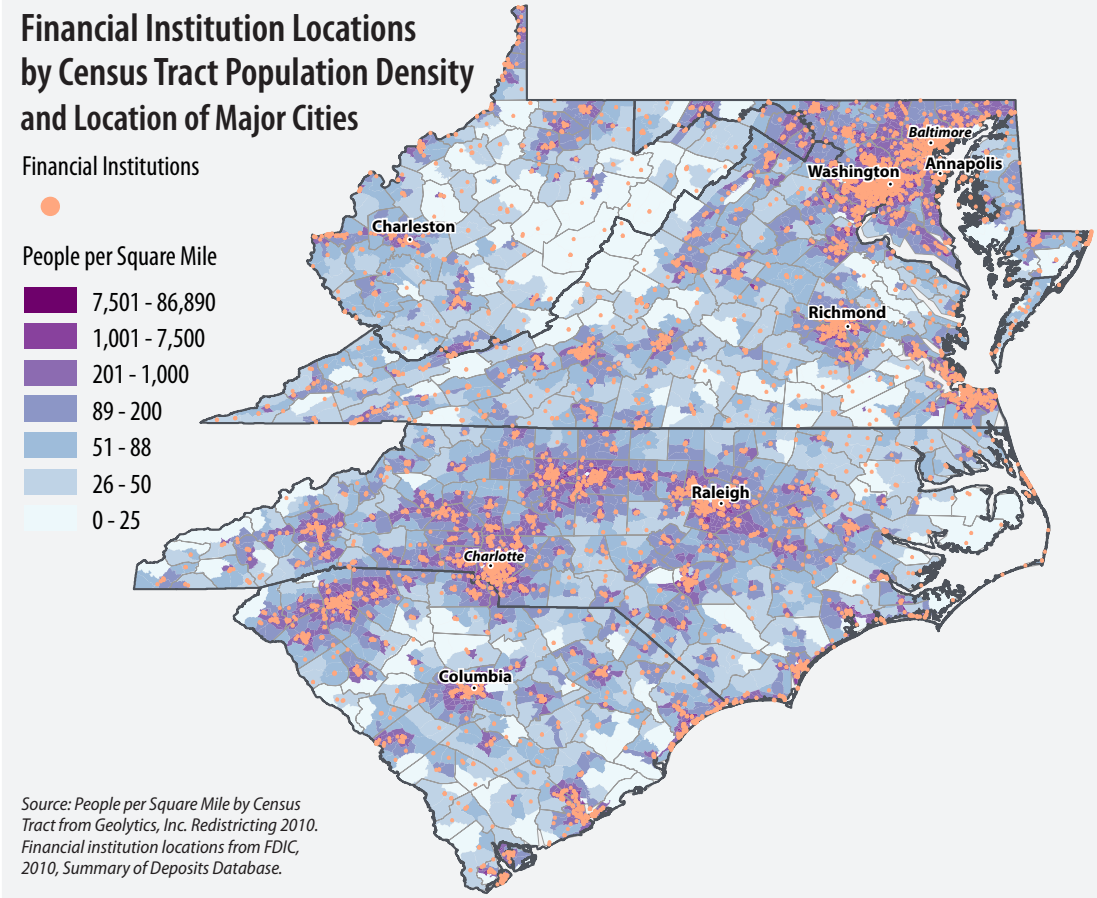


Where Are the Bricks-and-Mortar Banks?

Despite the growth in online banking, most customers still consider location to be the most important factor in their choice of primary financial institution.[1] In response to this local demand, the number of bank branches increased steadily between 1995 and 2009, growing from over 80,000 to nearly 100,000. In 2010 the number of branches fell for the first time in 15 years to just over 98,000.[2]

In this issue, we examine patterns in the location of branches across the Fifth District. The orange dots represent branches of all Federal Deposit Insurance Corporation (FDIC)-insured financial institutions as of June 30, 2010. The locations are overlaid on the population density of census tracts from the 2010 Census.



Source: People per Square Mile by Census Tract from Geolytics, Inc. Redistricting 2010. Financial institution locations from FDIC, 2010, Summary of Deposits Database.

A total of 9,633 branches lie within the states of the Fifth District. The largest number of branches (2,779) can be found in North Carolina, followed by Virginia (2,684), Maryland (1,804) and South Carolina (1,458). West Virginia has fewer than one thousand (664) and the District of Columbia a mere 244. Roughly half of the census tracts do not have a branch.

The greatest concentration of branches tends to be in highly populated urban areas. This is illustrated in the map by the clustering of branches around the major cities and in areas with 200 or more people per square mile. For example, a census tract in the heart of downtown D.C. with nearly 5,400 people per square mile has the highest number of branches at 41. Yet the seven densest census tracts in the Fifth District lack a banking branch. Conversely, two of the least densely populated census tracts, with less than one person per square mile, have three and four branches. This suggests that factors other than population density play a role in the location of branches. For example, some of the densely populated census tracts with few branches also tend to have high levels of poverty.[3]

Online banking offers an alternative to bricks-and-mortar branches, but is viable only for those who have ready access to the Internet. The areas with the lowest concentrations of bank branches also tend to be ones characterized by inferior Internet access.[4] Moreover, a physical branch offers customers the opportunity to develop a personal relationship with bank staff that is not as easy to replicate in an online setting. Such relationships may be particularly important for customers assessed as high-risk and for the unbanked to help them gain access to a broad array of banking services.

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1. *Robbins. "Location, Location, Location: Has Electronic Banking Affected the Importance of Bank Location?" Financial Industry Perspectives, FRB Kansas City, 2006.*
2. *FDIC, Summary of Deposits, Summary Tables Report, 2010.*
3. *For information on poverty rates in the Fifth District, see the March 2011 Issue of 5th District Footprint.*
4. *For a comparison, see the May 2011 Issue of 5th District Footprint.*