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Federal Reserve Approves Capital One Deal

Washington, DC – The Federal Reserve today approved Capital One’s bid to purchase ING Direct with no meaningful conditions. The National Community Reinvestment Coalition (NCRC) and hundreds of organizations nationwide opposed the acquisition because **it will make Capital One more systemically risky, while not creating a clear benefit to the public.**

“Today’s decision is a historic one, since this deal is the first major merger since the passage of Dodd-Frank. We changed the laws governing the financial system, but the real question is whether or not regulators have learned from their mistakes and changed the way bank oversight actually works,” said John Taylor, President & CEO of NCRC. “Based on today’s decision, the answer to that question is no.”

“We’re extremely disappointed in today’s decision. We’re considering our options to challenge the decision. It appears the Federal Reserve waited until Valentine’s Day to give Capital One a box of chocolates. It is shocking to us that the Federal Reserve did not respond to legitimate concerns about Capital One’s record serving minorities and working class people, nor did they explain how this deal would benefit the public in a clearly significant way,” said Taylor.

“To approve this acquisition without meaningful conditions confirms that it is business as usual at the Federal Reserve. These board governors were presented with ample evidence of the downside risk of this deal and the lack of meaningful public benefit. Nonetheless, in today’s decision they have failed to clearly explain how approving this deal would be in the public’s interest,” said Taylor.

The decision reinforces the perception and reality that the Federal Reserve serves the banking system first, and the American public second. I believe the Federal Reserve may look back at this moment as a critical juncture in their decision-making. Should Capital One fail, they will deeply regret today’s decision because the impact on the public will be catastrophic,” said Taylor.

We appreciate that the Federal Reserve took the time to hear from the American public. Without a doubt, the process was improved by public input. We’re calling on the Federal Reserve to require hearings for any merger where there is significant public concern about the impact of the deal. Doing so will ensure that mergers are not rubberstamped, but carefully weighed for their potential impact on communities and the economy,” stated Taylor.

NCRC expressed concerns to the Federal Reserve about hundreds of issues involved in



Capital One's acquisition of ING Direct, including:

Systemic risk

NCRC demonstrated that Capital One's business model is risky because the company has relied on credit cards for as much as 75% of its income. The monoline nature of the company makes it more likely to fail than its more diversified competitors. As Capital One grows to become the fifth largest bank in the country, it will expose the financial system to additional risk.

Public benefit

Regulators must deny the application if the increase in systemic risk outweighs the public benefit; the public benefit must be "clearly significant" according to the Federal Reserve. Capital One spent just one paragraph describing the public benefit in its application and made shallow promises during the hearing process.

Commitment to products, services and investments

NCRC demonstrated that Capital One has reduced its commitment to products and services that serve blue collar and minority communities, while encouraging people and businesses to take out credit cards. Capital One's \$180 billion commitment – announced during the hearings– promised more of the same.

Legal issues

NCRC presented Capital One's record of discrimination and other legal problems and argued that Capital One should not be allowed to grow while it faces active complaints and class action lawsuits.

Enforcement

NCRC argued that if the Federal Reserve approves the deal then there needs to be an enforcement mechanism to make sure that any and all conditions and commitments are met.

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The National Community Reinvestment Coalition is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development and vibrant communities for America's working families. Find out more at: www.ncrc.org