



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 14, 1998

Richard K. Schwartz, Esq.  
Legal Aid Society of Lorain County, Inc.  
382 West Broad Street  
Elyria, Ohio 44035

Dear Mr. Schwartz:

This is in response to your request on behalf of your client, dated March 20, 1998, that the Board reconsider its approval of the application and notice by FirstMerit Corporation, Akron ("FirstMerit"), to merge with CoBancorp, Inc., Elyria, and thereby acquire PremierBank & Trust, Elyria, and Jefferson Savings Bank, West Jefferson, all in Ohio.<sup>1/</sup>

The Board's Rules of Procedure require that a request for reconsideration contain "relevant facts that for good cause shown, were not previously presented to the Board." 12 C.F.R. 262.3(k). The members of the Board have carefully considered your request in light of this standard and all the facts of record.

Some of the matters raised in your request disagree with the weight given all the facts of record and the conclusions reached in the Order without presenting new facts. In particular, you reiterated the contention that FirstMerit's banking products, including the fees charged for banking services, do not adequately serve low-income and minority residents. For the reasons stated in the Order, the Board concluded that FirstMerit offered a full range of credit products and banking services, including a "lifeline" basic banking account for low- and moderate-income customers.

Your request also maintains that the banking market used to analyze the competitive effects of the proposal was too large. In the Order, the Board

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<sup>1/</sup> FirstMerit Corporation, 84 Federal Reserve Bulletin \_\_\_\_ (1998) (Order dated March 11, 1998) (the "Order"). The Order published in the Federal Reserve Bulletin will indicate that your comments were filed on behalf of a client, as you requested.

concluded that the Cleveland banking market was the appropriate market for considering the competitive effects of the proposal under the Bank Holding Company Act. The banking market is located in northeastern Ohio along the southern shore of Lake Erie. It is centered in Cleveland and Cuyahoga County, and extends into the surrounding counties approximately 30 miles east, 20 miles south, and 25 miles west.<sup>2/</sup> Your request contends that the Board should have considered the effects on competition in Lorain County, Ohio, and in communities in the county, including Oberlin, Wellington, Elyria, and Lorain.

The Board traditionally has recognized that the appropriate product market for evaluating bank mergers and acquisitions is the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) offered by banking institutions.<sup>3/</sup> In defining the relevant geographic market in the case of bank acquisitions, the Board and the courts consistently have held that the geographic market for the cluster of banking products and services is local in nature.<sup>4/</sup> The geographic scope of the local market is defined by the area in which competition between depository

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<sup>2/</sup> The Cleveland banking market is approximated by Cuyahoga, Lake, Lorain, and Geauga Counties and the northern third of Summit County, including the townships of Sagamore Hills, Northfield Center, Twinsburg, Richfield, Boston, and Hudson Townships and the municipalities circumscribed by those townships; all of Medina County, except the townships of Homer, Harrisville, Westfield, Guilford, Wadsworth, and Sharon; the townships of Aurora and Streetsboro in Portage County; and the city of Vermillion in Erie County, all in Ohio.

<sup>3/</sup> See Chemical Banking Corporation, 82 Federal Reserve Bulletin 239 (1996) ("Chemical Order") and studies cited therein. The Supreme Court has emphasized that it is the cluster of products and services that, as a matter of trade reality, makes banking a distinct line of commerce. See Philadelphia National, 374 U.S. 321, 357 (1963). See Accord United States v. Connecticut National Bank, 418 U.S. 656 (1974); United States v. Phillipsburg National Bank, 399 U.S. 350 (1969).

<sup>4/</sup> See Chemical Order at 241; see also Sunwest Financial Services, Inc., 73 Federal Reserve Bulletin 463 (1987); Pikeville National Corporation, 71 Federal Reserve Bulletin 240 (1985); Wyoming Bancorporation, 68 Federal Reserve Bulletin 313 (1982), aff'd. 729 F.2d 687 (10th Cir. 1984). See also Philadelphia National, 374 U.S. at 361.

institutions can reasonably be expected to have a direct effect on the price and supply of the cluster of banking products and services.<sup>5/</sup>

In determining the relevant geographic market, the Board reviews a number of factors that identify the geographic area over which competitive forces act to affect the pricing and availability of banking products and services. These include data regarding worker commuting patterns, as indicated by census data; population density; degree of economic integration; the availability and geographic reach of various modes of advertising; the presence of shopping, employment, health care, and other necessities; the availability of transportation systems and routes; branch banking patterns; deposit and loan activity; and other similar factors that indicate the geographic scope of competition.<sup>6/</sup>

An analysis of employment opportunities, commuting data, shopping patterns, and other indicia of economic integration shows substantial commuting, travel, and commercial interaction between Cleveland and the surrounding area. Commuting data for 1990 from the Census Bureau show that significant percentages of workers commute to Cuyahoga County from the surrounding areas, and an expanded interstate highway system has facilitated commuting from these areas.<sup>7/</sup> Approximately 26 percent of the workers in Lorain County commute to Cuyahoga County.

Cleveland's daily newspaper, The Plain Dealer, circulates throughout Cuyahoga County and the surrounding area.<sup>8/</sup> Cleveland television and radio stations broadcast throughout the Cleveland banking market. Branching data for depository institutions based in Cuyahoga County indicate

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<sup>5/</sup> Philadelphia National, 374 U.S. at 359, quoting Tampa Electric Co. v. Nashville Coal Co., 365 U.S. 320, 327 (1961).

<sup>6/</sup> See Crestar Bank, 81 Federal Reserve Bulletin 200, 201 n.5 (1995); Pennbancorp, 69 Federal Reserve Bulletin 548 (1983); St. Joseph Valley Bank, 68 Federal Reserve Bulletin 673 (1982); U.S. Bancorp, 67 Federal Reserve Bulletin 60, 61 n.2 (1981).

<sup>7/</sup> The 1990 data show the following percentages of workers commuting to Cuyahoga County: Geauga County--43.6 percent; Lake County--35.5 percent; Medina County--35.1 percent; Portage County townships--46.3 percent; and Summit County townships--50.5 percent.

<sup>8/</sup> Circulation data show that a significant percentage of households in Lorain County receive The Plain Dealer's daily edition and Sunday edition.

that competitive forces are transmitted within the banking market. Approximately 20 percent of bank and thrift offices in Lorain County are branches of Cuyahoga County depository institutions.<sup>9/</sup>

The Cleveland banking market also closely approximates the area designated as the Cleveland Rnally Metropolitan Area ("RMA"), which is an area that has been defined by a private company as a compact geographic area with relatively high population density that is linked by commuting, retail, and wholesale trade patterns.<sup>10/</sup> The banking market also closely approximates the area designated as the Cleveland-Lorain-Elyria Primary Metropolitan Statistical Area ("Cleveland PMSA") by the Office of Management and Budget.<sup>11/</sup> MSA designations are made on the basis of an area's population and include surrounding counties with strong economic and social ties to a central county.

In light of these and all the facts of record, it appears that the banking market definitions suggested in your request are too narrow and do not adequately reflect the degree to which competition between banking institutions is transmitted throughout the broader Cleveland area. As explained above, there is significant commuting, advertising, overlap of banking activities and offices, economic integration, and other factors that transmit competition within the multi-county Cleveland area. These data indicate that, while an individual customer may not have easy access to all bank competitors in the market, the flow of a significant number of customers, of economic activity, and of information regarding the price and availability of banking products and services is an effective check on the price and supply of the cluster of banking products

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<sup>9/</sup> Approximately 37 percent of the branches in Medina County and 40 percent of the branches in Geauga and Lake Counties are owned by Cuyahoga County-based depository institutions.

<sup>10/</sup> The Cleveland RMA differs from the Cleveland banking market only with respect to townships located along the periphery of the area. Townships in the northern portion of Lorain County, including Oberlin, Elyria, and Lorain, have been included in the Cleveland RMA for 25 years.

<sup>11/</sup> The Cleveland banking market includes five of the six counties comprising the Cleveland PMSA. Ashtabula County has not been included in the Cleveland banking market because data show that fewer than 6 percent of the workers in the county commute to Cuyahoga County. In addition, Ashtabula County has a rural orientation; approximately 41 percent of the county's land area consists of farms.

and services throughout the broader Cleveland banking market. For the reasons discussed in detail in the Order, the Board concluded that consummation of the proposal would not have a significantly adverse effect on competition in the Cleveland banking market or any relevant banking market.

Your request has been presented to the Board members to give them an opportunity to determine whether reconsideration of the Order is warranted. For the reasons discussed above, and in light of all the facts of record, no member of the Board has requested that the Order be reconsidered or modified in any manner. Accordingly, your client's request for reconsideration is hereby denied.

Very truly yours,



Jennifer J. Johnson  
Deputy Secretary of the Board

cc: Mr. Terry E. Patton  
FirstMerit Corporation  
Federal Reserve Bank of Cleveland