Politically Motivated Corporate Investment: Evidence from Banking*

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Abstract

We investigate the use of a seemingly benign activity – banks' investment in new branches – as a mechanism to curry political favor. Empirical analyses show that politically motivated banks are more likely to open branches in House Financial Services Committee (HFSC) members' electorates than other banks. This differential branch opening activity is concentrated in pre-election periods when bank support for the politician is likely to be most salient; it does not occur during non-election years or at other times around elections, collectively ruling out many alternative explanations. Exploratory analyses indicate that a cost to banks of these politically motivated branch openings is relatively weaker deposit growth. However, politically motivated banks benefit from reduced regulatory enforcement by regulators overseen by the HFSC.

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1 Introduction

A substantial body of academic research shows that corporations obtain benefits as a result of political connections. Such connections are increasingly under public scrutiny because of the disproportionate power and influence that accrues to politically connected firms. A 2023 Pew Research Center report notes that approximately 75% of American voters believe special interest groups have too much influence on members of Congress. Despite the concerns about corporate political activity, surprisingly little is known about the mechanisms that firms use to curry favor. Although attention has largely centered around two mechanisms – campaign financing and lobbying – a nascent literature suggests that firms appear to use other, complementary, mechanisms to curry favor with politicians. For example, firms time hiring activity around elections (Faccio and Hsu, 2017), strategically allocate corporate charitable contributions to the electorates of influential politicians (Bertrand et al., 2020), and provide politicians with stock trading tips (Stephan et al., 2021).

The central objective of our paper is to provide novel evidence on a mechanism used by firms to curry favor with politicians: strategic corporate investment in those politicians' districts. Our setting is the U.S. banking sector, and in particular, banks' investments in new branches. This setting offers several appealing features. For instance, we can obtain detailed data about the date and location of branch openings. Obtaining similar data for other types of corporate investment activities that may be used to curry favor with politicians, such as building new factories or installing pollution abatement technology, is non-trivial. Furthermore, the banking sector is primarily overseen by a single committee in each of the House and Senate chambers. This oversight feature is an important element of our identification strategy, as discussed below.

There are multiple reasons that investments in new branches can represent banks' efforts to curry favor with politicians. First, banks may proactively open branches in an effort to build relationships with influential politicians. Second, investments in new branches may represent the "quo" in an existing quid pro quo relationship between a bank and a politician.

Third, banks may invest in new branches in response to political pressure. In this scenario, banks acquiesce to a politician's demands for more branches in their electorate in order to maintain or avoid a deterioration of an existing political relationship. Importantly, each of these possibilities represent political considerations influencing banks' branch opening choices.

We highlight that it is unlikely to be the new branch that helps a bank curry favor with a politician per se, but rather, the expectation that the local area will benefit from an additional bank branch. Benefits of bank branches include increased small business and personal lending access (Nguyen, 2019) and subsequent economic development including income per capita, employment, and firm entry (Célerier and Matray, 2019; Bonfim et al., 2021; Ji et al., 2023). Moreover, opening a new branch in a politician's electorate is a critical step for a bank to credibly convey the bank's commitment to said politician (via the commitment to the local area). By contrast, increasing local area lending *without* the introduction of a new branch is less salient to a politician and represents a less credible form of support.

Why would banks use branch openings as a mechanism to curry favor with politicians given the prevalence of other channels such as political contributions? One likely reason is that banks face limitations on their use of political contributions. U.S. federal laws limit political contributions by national banks to the pool of funds that individuals contribute to a bank's Political Action Committee (PAC).[1] These banks are prohibited from contributing to politicians' campaigns after exhausting their PAC funds; the Federal Election Campaign Act of 1971 explicitly prohibits national banks from contributing to Super PACs or using their treasury funds to support political candidates or influence federal, state, or local political elections. Thus, branches are likely to represent a mechanism that complements other corporate actions used to curry favor with politicians (Bertrand et al., 2020).

Is it plausible that banks would be willing to incur the cost of opening a new branch to curry favor with a politician given the risk that the politician may subsequently lose his

[1] See https://www.fec.gov/help-candidates-and-committees/taking-receipts-pac/who-can-and-cant-contribute-nonconnected-pac/.

election? We note that this risk is actually quite low: incumbent reelection success in the U.S. House of Representatives over the past 50 years is approximately 90% and even higher in the Senate. Furthermore, banks likely seek to curry favor with the most senior politicians, who are often entrenched and face even lower risks of election loss. Political scientists suggest that powerful politicians value and demand such support even in the absence of significant reelection risk because it allows them to increase their popularity and cultivate a "positive, broad, and enduring legacy" (Fong et al., 2019).

The primary empirical challenge for our study centers around distinguishing between branches that are opened at least in part because of political considerations versus branches that are opened solely because of a branch's expected performance given the underlying economics of the local area. Our empirical approach attempts to identify the former by exploiting variation along a variety of dimensions.

First, we rely on the fact that banks are most likely to seek relationships with politicians with jurisdiction over the banking industry. In the House of Representatives, this responsibility is delegated to members of the House Financial Services Committee (HFSC). This fact implies that politically motivated banks should be more likely to open branches in the electorates of HFSC members relative to other politicians. Accordingly, our analyses incorporate a within-bank comparison of branch openings in HFSC member districts versus non-HFSC member districts.[2] This variation also allows for the inclusion of bank-quarter fixed effects, which capture bank-specific factors that affect all districts in which the bank operates in a particular quarter.

Second, we take advantage of variation in bank-level incentives to curry favor with politicians. Following Agarwal et al. (2018), we expect that because the largest banks face the most regulatory oversight, these banks have the strongest incentives (and thus exert the greatest effort) to curry favor with politicians. We classify banks that have above $250 billion in total assets (i.e., a regulatory threshold at which additional requirements are imposed on

[2] Banks are also overseen by the Senate Committee on Banking, Housing, and Urban Affairs (SCB). Because the benefits of bank branch openings are likely to be localized, our main analyses focus on politicians serving on the HFSC (rather than the SCB). Nonetheless, we consider both the SCB and other powerful House committees in supplementary analyses.

banks) as "politically motivated banks." Other banks form the control group.[3] Consistent with the largest banks have stronger incentives to curry favor, the average dollar value of political contributions made by politically motivated banks in our sample (those above $250B) is three times larger than banks between $100B and $250B in the control group. For brevity, we refer to banks in the control group as "politically unmotivated banks" hereafter. Branch openings by these politically unmotivated banks help capture determinants of branch opening activity that are attributable to the underlying economics of the local area. Our approach also allows for the inclusion of district-quarter fixed effects, which capture local area economic characteristics in each quarter that could explain branch opening activity.

We conduct our tests using a sample of U.S. bank branch openings during the period between 2004 and 2018. Our primary analyses focus on openings in the quarter immediately prior to congressional elections (i.e., the quarter ending on October 31 in even years; hereafter, "pre-election quarter"), which is the time period during which openings can most saliently signal a bank's support for an incumbent politician.

Our analyses show that politically motivated banks do indeed appear to strategically open new branches. In particular, these banks are more likely to open branches in the electorates of HFSC members prior to elections relative to politically unmotivated banks. The effects are economically material: these politically motivated openings represent between 5.3% and 7.5% of all branch openings in pre-election windows. In the interest of brevity, we hereafter refer to pre-election quarter branch openings by politically motivated banks in HFSC member districts as "politically motivated branch openings."

Our research design helps to rule out many alternative explanation for our primary findings. Any alternative explanation would need to both (1) differentially affect politically motivated and politically unmotivated banks and (2) do so differentially in HFSC districts relative to non-HFSC districts. To further rule out such explanations, we investigate differential branch opening activity during the August to October pre-election period but in *non-election years*. If our results are attributable to some alternative explanation, we should

[3] To ensure that our analyses are not sensitive to this proxy for politically motivated banks, we also use alternate measures that classify banks into politically motivated and politically unmotivated based on political activity expenditures (i.e., lobbying expenditures or PAC contributions).

observe similar results in non-election years. By contrast, politically motivated banks do not exhibit statistically different branch opening activity to politically unmotivated banks in these non-election years.

We also examine branch opening activity earlier in election years or immediately following elections. We find no differences in new branch opening activity by politically motivated and politically unmotivated banks in these expanded periods outside the pre-electionw indow. These findings cumulatively imply that any remaining alternative explanation would also need to manifest *only* in the pre-election quarter and only in election years. Importantly, the evidence also alleviates concerns that our results are attributable to politicians self-selecting into the HFSC because of underlying local-area characteristics that drive branch opening activity.

We also undertake a battery of additional analyses. First, we perform analyses to ensure our results are not solely driven by size differences of politically motivated and unmotivated banks. Second, we verify that new branch openings are not simply transfers from bordering congressional districts. Third, we find our results are not limited to the 2007-2009 financial crisis period, suggesting branch openings are a pervasive tool for currying favor. Fourth, we use branch application data to rule out that pre-election branch openings are due to expedited regulatory reviews.

We turn to an examination of the intent behind politically motivated branch openings. The high average politician reelection success rates noted above suggests that politically motivated branches are unlikely to be driven by a bank's incentives to support a politician's upcoming election. Rather, it may be that these branches are simply intended to signal support and are timed before elections to be most salient to the politician. Findings from two empirical tests support a support story and are inconsistent with an election influence story. In particular, we find that politically motivated branch openings are no more likely in HFSC member districts that are politically competitive. Furthermore, the most *senior* HFSC members experience greater politically motivated openings in their districts relative to *junior* members. Under an election influence story, junior HFSC members would receive a greater proportion of new openings because they are less entrenched and therefore face

relatively greater reelection risk.

Finally, in a series of exploratory analyses, we consider the costs and benefits of politically motivated branch openings. One cost for a bank relates to branch performance. Branches opened to curry favor are unlikely to systematically open in locations that also maximize branch performance. Due to data limitations, we proxy for branch-level performance using branch-level deposit growth (e.g., Hirtle, 2007). Under the assumption that a bank seeks to open a branch and is choosing between locations, we argue that the differential growth rate in deposits between politically motivated openings and other openings captures the cost of politically motivated branches. Empirical tests show that politically motivated branches display 37% lower deposit growth rates in the year after opening relative to other branch openings.[4] Importantly, the economic benefits of branch openings (e.g., credit access) continue to accrue to a local area, even in the presence of lower deposit growth.

A potential benefit that can accrue to politically motivated banks following strategic branch openings is reduced regulatory scrutiny (e.g., Gallemore, 2023). We focus on enforcement actions issued by the Office of the Comptroller of the Currency (OCC) because the agency is the primary regulator of national banks. Critically, the agency is under the purview of the HFSC, facilitating political influence at the agency. We find that politically motivated banks are less likely to receive an enforcement action from the OCC in the year after opening a politically motivated branch. Although we caveat that the findings related to branch performance and regulatory oversight are associative, they offer some evidence about the trade-offs faced by banks when seeking to open politically motivated branches.

The cumulative evidence suggests that banks use investments in new branches as a tool to curry favor with politicians. Our findings are likely to be of broad interest in light of recent banking industry failures. For instance, Igan et al. (2012) suggest that the financial services industry's efforts to lobby against anti-predatory lending legislation contributed to the 2007 mortgage crisis. In addition, the Silicon Valley Bank (SVB) failure revealed bank efforts to use political influence to evade regulatory oversight and requirements (Mansfield,

[4] We note that the real cost to a bank of the lower deposit growth is the foregone after-tax income from the allocation of the deposited funds.

2023a,b).

Beyond the financial sector, our study relates to the debate around corporate disclosure of political activities. Firms are increasingly recognizing the inherent risks in political spending. Advocates for regulation propose requirements for more transparency and in particular, for "...public companies to disclose to shareholders the use of corporate resources for political activities" (Bebchuk et al., 2020). In this vein, our study is likely to be of interest to boards of directors that have increased oversight of company political spending and activity in recent years (Center for Political Accountability, 2021).

Our study also contributes to academic literature. Our first contribution is to a body of work at the intersection of banking and politics. Researchers document various benefits for politically connected banks, including favorable legislation (Mian et al., 2010), protection from regulatory enforcement (Akey et al., 2021; Yue et al., 2022), financial support during crises (Duchin and Sosyura, 2012; Adelino and Dinc, 2014; Chavaz and Rose, 2019), and implicit insurance that allows for greater risk-taking (Kostovetsky, 2015). Our study offers insights about *how* banks can curry favor with politicians and obtain favorable outcomes. In this vein, our study is closely related to Agarwal et al. (2018), who show that during the 2007-2009 financial crisis, banks delayed mortgage foreclosures in districts served by HFSC members when new legislation against the industry was being considered. Our study sheds light on a relationship building mechanism that that is not limited to crisis periods, but rather, represents a long-run investment in the relationship.[5]

Second, and more broadly, our findings are also related to an emerging stream of research documenting the various mechanisms used by corporations to curry favor with politicians, beyond political contributions and lobbying. Carvalho (2014), Faccio and Hsu (2017), and Bertrand et al. (2018) show that politically connected firms increase job creation and hiring around elections. More recently, Bertrand et al. (2020) show that corporations direct charitable contributions to the electorates of influential politicians, and Stephan et al. (2021) show that brokerages may provide stock tips to politicians in exchange for benefits. Huang

[5] Other studies document that banks offer favorable loan terms to politically connected firms (Houston et al., 2014; Kaviani et al., 2021), which may represent an indirect effort to curry favor with politicians.

(2024) argues that firms use corporate social responsibility announcements to help politicians engage in credit claiming. Our study highlights the role of corporate investment as an unexplored and seemingly benign activity that can be used to curry favor with politicians.

2 Institutional background

2.1 House Financial Services Committee

Both the House and Senate assign responsibilities to congressional committees. Under this system, committees have jurisdiction and oversight responsibilities for particular areas. In the House of Representatives, the primary committee responsible for oversight of the U.S. banking sector is the House Financial Services Committee (HFSC). Politicians serving on the HFSC have jurisdiction over the banking system, housing, insurance, monetary policy, and monetary organizations. In addition, the HFSC oversees a number of agencies that are relevant to the banking industry, including the Federal Reserve, Department of the Treasury, the Federal Deposit Insurance Corporation (FDIC), the Securities and Exchange Commission (SEC), and the Office of the Comptroller of the Currency (OCC). As a result, the HFSC has the ability to shape the regulatory environment and policy objectives of the banking sector. Consistent with the importance of the HFSC for the banking sector, prior studies focus on the HFSC (or its predecessor, the House Banking Committee) as the most powerful House committee related to banking laws (Kroszner and Stratmann, 1998; Agarwal et al., 2018).

The Senate Committee on Banking, Housing, and Urban Affairs (SCB) also has jurisdiction over the banking sector and thus also performs important oversight of the banking industry and as a result, its members can insulate banks from regulation and regulatory scrutiny. For example, Yue et al. (2022) find that banks operating in states with SCB members enjoy regulatory forbearance.

Quid pro quo relationships between banks and HFSC members can benefit banks in a number of ways. First, the HFSC has presided over significant legislation in the banking industry in recent decades. For example, following the 2007-2009 financial crisis, the HFSC

oversaw the legislative process that ultimately resulted in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Relationships with HFSC members increase the ability of banks to curry favor with politicians and ultimately, limit the intensity of the legislative burden (e.g., Agarwal et al., 2018).

Second, given the HFSC's direct oversight of important banking agencies (e.g., the Federal Reserve), quid pro quo relationships between banks and politicians can insulate banks from regulatory pressure. Consistent with this possibility, Akey et al. (2021) find that powerful politicians allow banks to evade fair lending regulations. In addition, Kostovetsky (2015) show that politically connected banks increase their risk exposure, consistent with the idea that political connections offer a form of insurance from regulatory intervention. Third, connected banks are more likely to obtain financial support during crises (Duchin and Sosyura, 2012; Adelino and Dinc, 2014). Thus, banks have numerous reasons to establish political relationships.

2.2 Bank branch openings

An initial step in the branch opening process is to identify a potential location through analysis of potential markets and real estate options. While this initial step can take up to several months, many banks have internal real estate departments in place to streamline the process. Other banks use third party vendors who perform the analysis and provide reports.

Once a branch location has been identified, banks must submit an application to their primary federal regulator. As part of the application process, a bank is required to provide information regarding the precise branch location and to allow a time period for public comment regarding the proposed branch. The regulator makes an approval decision following the expiration of the comment period. The FDIC states that the standard processing time to provide an approval decision is within 30 days from the receipt of a substantially complete application.[6] Analysis of processing times for the OCC, which oversees national banks,

[6] See the FDIC's Procedures Manual on establishing bank branches for further details: https://www.fdic.gov/regulations/applications/resources/apps-proc-manual/section-07-establishdomesticbranch.pdf.

indicates a median (mean) time from application submission to approval of 35 (37) days.

After application approval, the bank proceeds with the physical opening process, including site building and hiring staff. While the time period between approval and opening can vary, the median (mean) time from application approval to branch opening for national banks is 121 (180) days. Thus, while planning is required to strategically time branch openings, the process from application submission to branch opening can be relatively fast.

3 Data, sample, and research design

3.1 Data

We begin our sample selection procedure by constructing a time-series panel for each bank branch in the U.S. between 2004 and 2018. We do not collect data before 2004 due to major bank branch consolidation activity resulting from the Riegle-Neal Interstate Banking and Branching Efficiency Act that occurred during the 1997-2002 time period. We end our sample in 2018 because the last congressional election before the Covid-19 pandemic is in November 2018. Factors related to the pandemic may affect branch opening activity (Barca and Hou, 2024). Thus, our sample includes eight congressional election cycles (the 108th to the 115th Congress inclusive).

We obtain branch data using datasets from the Federal Deposit Insurance Corporation (FDIC)'s BankFind Suite. The Summary of Deposits (SOD) dataset provides information on each branch's street address, parent institution, and deposits. We only retain branches that are classified as "full-service" (i.e., we remove ATM-only branches). We obtain branch opening and closure dates from the Events & Changes dataset to ensure that we are not inadvertently including transfers of branch ownership via acquisitions as new branches.

We obtain data on the branch's parent institution's total assets from the FR Y-9C (Call) report for branches held by bank holding companies (commercial banks). We also obtain bank political contributions from the Federal Election Commission (FEC), and bank lobbying expenditures from the Center for Responsive Politics. We require that a branch's

parent institution have total assets greater than $1 billion to increase comparability between politically motivated banks and other banks. In addition, we remove all the branches of banks that were the target of an acquisition in the last presidential election cycle prior to the acquisition date. We obtain the bank acquisition date from SNL Financial.

We use the combination of the SOD dataset listing of all branches operating as of June 30th each year and the Events & Changes' branch opening and close dates to create a time-series for each branch at a quarterly frequency. We shift quarters so that they align with congressional elections. Election day is the first Tuesday that occurs between November 2 to November 8 in even years. Thus, our quarters end on October 31, January 31, April 30, and July 31.

We link each branch-quarter observation to a congressional district based on branch ZIP code. We map the branch ZIP code to congressional districts using the U.S. Census Bureau's Relationship Files.[7] We use the most recent available linking file for each year in the dataset. We then link the political representatives for each congressional district using House-district data from Charles Stewart III's website.[8] His data also detail committee membership for each politician-year, which allows us to identify the districts that have political representation on the HFSC, and on other powerful congressional committees.

Because our focus is on the relationship between banks and politicians, we aggregate branch-quarter observations by bank such that we have a bank-quarter observation for each congressional district. This approach allows us to identify the net change in a bank's branches within each congressional district given that political benefits accrue at the bank-level. We use net changes in branch openings rather than the absolute number of branch openings to eliminate within-district branch relocations.

[7] Available at https://www.census.gov/geographies/reference-files.html. One complication in linking branches to congressional districts occurs because we use ZIP codes to identify a branch location. For approximately 15% of our sample, multiple congressional districts overlap with a single ZIP code. For these cases, we assign the branch to the congressional district with an HFSC member. If there is more than one district with an HFSC member, we assign the branch to the district with the senior-most ranking HFSC member. To ensure our results are not sensitive to these sample choices, we also conduct our main analyses after removing all branches in ZIP codes that overlap multiple districts (untabulated). The results are statistically and economically similar to our main results.

[8] Available at http://web.mit.edu/17.251/www/data_page.html.

Our final sample consists of 47,166 bank-district observations during the quarters immediately prior to congressional elections. This sample includes 917 unique banks, of which between ten and thirteen are classified as politically motivated based on the measure.[9]

3.2 Research design

To examine whether politically motivated banks strategically use branch openings to facilitate political relationships with HFSC members, we estimate the following specification at the bank-district level:

$$\begin{aligned} Open_Branch_{i,d,q} = {} & \beta_1 HFSC_Member_{d,q} \times High_PolMotiv_{i,q-1} \\ & + \beta_2 N_Branches_Bank_District_{i,d,q-1} + \Sigma\alpha_{i,q} Bank\text{-}Quarter_{i,q} \\ & + \Sigma\alpha_{d,q} District\text{-}Quarter_{d,q} + \epsilon_{i,d,q}, \end{aligned} \tag{1}$$

In equation (1), i indexes the bank, d indexes the district, and q indexes the quarter. $Open_Branch$ is an indicator variable equal to one if bank i has positive net branch openings in district d in quarter q, and is zero otherwise. $HFSC_Member$ is an indicator variable equal to one if district d in quarter q is represented by a politician serving on the HFSC and running for reelection, and is zero otherwise. HFSC members seeking reelection should be the primary focus of banks' efforts to curry favor because of the potential benefits that these individuals can (continue to) offer if reelected.[10]

Our primary measure of politically motivated bank ($High_PolMotiv$) is an indicator variable equal to one if bank i's total assets in the most recent fiscal quarter are greater than \$250 billion, and is zero otherwise. This measure is appealing for a number of reasons. First, banks that are above the threshold face increased regulatory burden and scrutiny. These banks have the strongest incentives to curry favor with politicians. Second, because bank

[9] Banks classified as politically motivated at some point during our sample period based on the \$250 billion threshold are: JP Morgan Chase, Bank of America, Wells Fargo, Citigroup, PNC Financial, U.S. Bancorp, Capital One, Bank of New York Mellon, TD Bank, Wachovia Corporation, and Goldman Sachs.

[10] In untabulated analyses, we find no evidence that politically motivated banks display a higher likelihood of opening pre-election branches in the electorates of HFSC members that are not running for reelection.

size is relatively stable, we identify banks that are likely to seek long-term relationships with politicians. By contrast, other measures like bank-level lobbying vary over time, suggesting some banks only seek political influence during certain periods of need. In these instances, new branches may not represent a useful tool for currying favor.

To support the inferences from tests using our primary measure, we also conduct analyses use two alternate proxies. Specifically, we collect bank-level annual lobbying expenditures and political contributions. For each bank, $High_PolMotiv$ is equal to one if the parent bank is in the top quartile of all banks based on the dollar value of their contemporaneous lobbying expenditures or contributions to the bank's PAC, and is zero otherwise. For parsimony, we refer to $High_PolMotiv = 1$ observations as "politically motivated banks" and $High_PolMotiv = 0$ observations as "politically unmotivated banks." An implicit assumption in our design is that politically motivated and politically unmotivated banks have similar ability to open branches in HFSC and non-HFSC districts, but politically unmotivated banks have relatively weaker incentives to open branches for political reasons.

The coefficient of interest in equation (1) is the interaction between $HFSC_Member$ and $High_PolMotiv$. This variable captures whether, in the quarter prior to an election, politically motivated banks are more likely to open a branch in the electorate of an HFSC member relative to politically unmotivated banks.[11]

Our estimations of equation (1) also include a fixed effects structure to mitigate alternative explanations. We include district-quarter fixed effects to account for time-varying economic conditions (e.g., growth opportunities or unemployment) that similarly affect treatment and control banks in a particular district-quarter. We also include bank-quarter fixed effects to account for bank-specific factors that affect all districts in which the bank operates in a particular quarter. For example, a bank may undertake an aggressive growth strategy that involves opening new branches in multiple districts within a quarter. Including these two sets of fixed effects means we cannot include time-varying bank or district-level control variables in our specifications.

[11] Note that bank-quarter fixed effects subsume the main effect of $High_PolMotiv$, and the main effect of $HFSC_Member$ is subsumed by district-quarter fixed effects.

In equation (1), we also control for the number of a bank's branches in the district in the prior year ($N_Branches_Bank_District$). The existing branch network size in the district can influence the likelihood that the bank opens another branch in the district. Finally, given that HFSC membership is defined at the congressional district level, we cluster standard errors in all specifications by congressional district (Agarwal et al., 2018).[12] All variables are defined in Appendix A.

3.3 Descriptive statistics

Panel A in Table 1 presents descriptive statistics for our sample of 47,166 bank-districts. The table shows that approximately 14.5% of the observations belong to HFSC districts. Politically motivated banks (based on the $250 billion threshold) represent 21.3% of the sample. Net branch openings occur in 2.6% of bank-districts, and banks have an average of 6.8 branches per district. The table also presents information separately for observations in HFSC districts and those in non-HFSC districts. HFSC districts experience more net branch openings (3.4%) relative to non-HFSC districts (2.5%) and have slightly more branches per bank-district (7.2 branches vs. 6.7 branches). Politically motivated banks represent a larger portion of the sample in non-HFSC districts (21.7% vs. 18.9%).

The table also presents information on district characteristics. Across our sample of banks, an HFSC district has approximately 38 unique banks and 150 branches on average. Non-HFSC districts have 32 unique banks and 101 branches. HFSC districts are also smaller in physical size relative to non-HFSC districts. The mean (median) square mileage of HFSC districts is 5,263 (1,087) compared to 7,555 (2,350) for non-HFSC districts. Taken together, these statistics indicate that politicians serving on the HFSC serve more urban areas. Finally, we document that the mean (median) duration between new branch regulatory approval and opening is 180 days (121 days). The mean (median) time periods are slightly longer for HFSC districts (191 and 129 days) compared to non-HFSC districts (176 and 119 days).

Panel B of Table 1 provides descriptive information about the HFSC for each election

[12] Our main results are robust to clustering by state, by bank, or by bank and state.

year in our sample. The number of politicians serving on the HFSC for the Congresses in our sample ranges from 59 to 72. Given that there are 435 House districts in the U.S., the politicians serving on the HFSC represent about 14% to 17% of all districts in any given Congress during our sample period. Party representation on the committee reflects a party's proportional representation in the House of Representatives in a given Congress. Democrats controlled the House of Representatives (and thus the HFSC) between 2008 and 2012 while Republicans had control in other years of our sample.

In each Congress, HFSC members represent between 27 and 33 unique states. There is significant variation in the number of representatives from a given state, which is driven by proportional representation in the House of Representatives. States with larger populations have more congressional districts and representatives than less populated states. Over our sample period, 43 unique states have representation on the committee. Thus, representation is not concentrated within a few states. HFSC members in our sample have served on the committee for an average of 7 to 9 years, and service duration varies between 2 and 32 years.

Panel C of Table 1 shows that there 1,503 branch openings by our sample banks in the pre-election quarter in election years from 2004 – 2018. The table illustrates that the number of openings has largely decreased over time with an uptick in the final year (2018). This decrease is consistent with industry-wide trends of fewer branch openings over the last decade (Barca and Hou, 2024). These trends are also present in both HFSC and non-HFSC districts. Approximately 20-30% of branch openings in each quarter occur in HFSC districts.

4 Main results

4.1 Do politically motivated banks strategically open branches in HFSC member districts?

We present our main results in Table 2. Column (1) presents results for a baseline specification in which our proxy for politically motivated banks is based on whether a

bank's total assets are greater than $250 billion.[13] The specification includes bank fixed effects, quarter fixed effects, and district fixed effects. We then add increasingly more stringent fixed effects and present the results in columns (2) and (3). We first note that in columns (1) and (2) where the variable $High_PolMotiv$ can be estimated, the coefficient is either insignificant or negative. This result suggests that politically motivated banks do not display a higher likelihood of opening new branches in non-HFSC districts, relative to politically unmotivated banks. Column (3) presents results using the most stringent specification with both bank-quarter and district-quarter fixed effects. In columns (4) and (5), we identify politically motivated banks based on whether the parent bank is in the top quartile of all banks based on the amount of annual PAC contributions or lobbying expenditures, respectively.

We find a positive and significant coefficient on the interaction between $HFSC_Member$ and $High_PolMotiv$ across all the proxies used to identify politically motivated banks. In the interest of brevity, in subsequent tables we only present results using our preferred measure of politically motivated banks: the $250 billion cutoff. The overall findings indicate that banks with stronger incentives to curry favor with politicians are more likely to open branches in districts with HFSC members than in districts without HFSC members.

The coefficient estimates on the interaction between $HFSC_Member$ and $High_PolMotiv$ suggest that during each election cycle, approximately 10 – 14 branch openings are politically motivated.[14] These 10 – 14 politically motivated branch openings represent between 5.3% and 7.5% of all pre-election quarter branch openings.[15] The number of politically motivated branch openings may seem small relative to the membership of the

[13] In untabulated analyses, we find similar results when using a continuous measure of banks' total assets, suggesting that our results are not sensitive to the specific cutoff used to identify large banks.

[14] We calculate the lower bound estimate for the number of additional branches opened as follows: one branch per district (the average number of branches opened by a bank in a district-quarter during our sample period when $Open_Branch > 0$ is one) × an average of seven politically motivated banks per election cycle × an average of 67 districts with representation on the HFSC in a given Congress during our sample period × 2.08% higher likelihood of opening (from column (1) of Table 2) = approximately 10 additional branches. Similarly, we calculate the upper bound of branch openings = 14 using the coefficient estimate of 3.04% from column (4) of Table 2.

[15] These percentages are calculated as 10-14 branches per election cycle × 8 election cycles in our sample divided by 1,503 pre-election branch openings during our sample period (from Table 1, Panel C).

HFSC discussed above. However, because membership is split across parties, banks may simply seek to curry favor to affect committee voting decisions.[16]

4.2 Why do politically motivated banks strategically open branches in HFSC member districts?

One likely reason we observe politically motivated branches is that branches opened before elections can more credibly signal politically motivated banks' support for the local representative relative to branches opened at other times. A natural question given the timing of these openings (i.e., in the pre-election quarter) is whether they also reflect bank efforts to directly influence election outcomes. To evaluate this possibility, we examine whether politically motivated branch openings vary with district and politician characteristics that correlate with election-influence related incentives.

First, we consider the electoral competitiveness of a district. If banks strategically open branches to appeal to voters and influence an election, we would expect to observe more politically motivated branch openings in districts with close elections. We modify equation (1) by partitioning $HFSC_Member$ into two variables: $HFSC_Member_Close$ ($HFSC_Member_NotClose$) is an indicator variable equal to one if the district's election was decided by less than (more than) 5% and is set to zero otherwise.[17] Column (1) of Table 3 shows that the relative magnitude of the effect in both competitive and noncompetitive districts is similar (p-value for difference in coefficients of 0.9606). In addition, we find a statistically significant coefficient only in districts that experience *noncompetitive* elections. These findings are inconsistent with the argument that politically motivated branch openings are primarily driven by election-influence considerations.

Next, we investigate whether branch openings vary with the seniority of the HFSC

[16] For example, consider the 113th Congress (2013-2014). The Republican Party was the majority party in the House, and the HFSC had 33 Republican and 28 Democrat representatives. Under the assumption that committee votes are typically cast along party lines, banks could stymie legislative action by convincing three Republicans to vote against any proposed bill.

[17] We document similar results if we instead use the historical competitiveness of the district, measured as the election closeness from the last congressional election for the district (i.e., two years ago).

member representing the district. The seniority system in Congress means that senior HFSC members have the greatest ability to control the HFSC's actions and legislative agenda. However, in order to become senior committee members, these politicians have won repeated reelection campaigns and are less likely to need assistance from banks for their reelection bids. Thus, politically motivated branch openings in senior HFSC member districts are more likely to reflect bank efforts to curry favor rather than influencing election outcomes.

$HFSC_Member_Senior$ ($HFSC_Member_Junior$) is an indicator variable equal to one if the HFSC member running for reelection is in the top quartile of seniority (the bottom three quartiles of seniority) for that year and is zero otherwise. Column (2) of Table 3 shows that politically motivated banks are more likely to open branches in districts of both senior and junior HFSC members. However, the effect for senior politicians is significantly larger than that for junior politicians (p-value = 0.0959). In terms of economic magnitude, the likelihood of politically motivated branch openings is nearly 2.5 times larger in the districts of senior HFSC politicians compared to their more junior counterparts (3.78% vs. 1.57%). This finding indicates that politically motivated branches are more likely driven by banks' general incentives to curry favor with powerful HFSC members. Taken together, the results in Table 3 are more consistent with politically motivated branch openings being used to build relationships with powerful HFSC politicians rather than efforts to directly influence elections.[18]

4.3 Do politically motivated banks strategically open branches outside pre-election periods?

In this section, we examine branch openings at other times (outside of the pre-election window) to further mitigate concerns regarding alternative explanations. If our findings are driven by factors other than political considerations, we should observe that politically

[18] In untabulated analyses we consider several other (albeit less direct) proxies capturing the likelihood to influence elections: the number of existing branches in a district, presidential election years (versus midterm election years), and politician ideological preferences including political party. Findings from tests across all these proxies also do not support the argument that politically motivated branch openings are driven primarily by election influence considerations.

motivated banks display a relatively greater likelihood of branch openings at other times. For example, it is possible that politicians self-select onto the HFSC in districts with more frequent branch opening activity. Under this alternative, an omitted factor explains the committee membership decision of politicians, as well as banks' branch opening decisions. We note, however, that this alternate explanation is still incomplete, because it is unclear why differential branch opening activity would only occur in the pre-election window.

We first investigate branch opening activity in the pre-election quarter but during *non-election* years. In column (1) of Table 4, Panel A, we present our baseline finding for election years. Column (2) presents results for the same specification in non-election years. Relative to politically unmotivated banks, politically motivated banks are no more likely to open branches in HFSC member districts during the pre-election quarter in non-election years. Column (3) shows that the coefficient on $HFSC_Member \times High_PolMotiv$ across columns (2) and (3) are significantly different to each other (t-statistic = 2.22).

Next, we consider branch openings in other quarters outside of the pre-election quarter. We reestimate equation (1) for the two quarters earlier in election years (i.e., the quarters ending on April 30 and July 31 in election years) and two quarters following congressional elections (i.e., quarters ending on January 31 and April 30 in non-election years).

We present the findings in Table 4, Panel B. Columns (1) and (2) present the results for the election year quarters ending on April 30 and July 31, respectively. Column (3) replicates our main result from Table 2 using the pre-election quarter ending on October 31. Columns (4) and (5) present the results for the two quarters ending on January 31 and April 30 (i.e., the quarters immediately following congressional elections). Overall, there is no evidence of a differential likelihood of politically motivated banks opening branches in HFSC member districts outside of the pre-election quarter.

In sum, we find politically motivated banks have similar branch opening activity to other banks outside of the pre-election quarter. Thus, our results are unlikely to be driven by self-selection. Moreover, these results also indicate that any alternative explanation would need to affect politically motivated and politically unmotivated banks differently in HFSC districts prior to elections *and* not affect these banks differently in other periods.

5 Robustness analyses

In this section, we conduct additional robustness analyses to address concerns that our findings are driven by bank size or other potential alternative explanations.

5.1 Are our findings attributable to bank size and how we define banks as "politically motivated"?

One potential concern with our empirical approach is that the classification of banks into politically motivated and politically unmotivated groups is based on a bank size cutoff. Thus, it is possible that our results are attributable to some underlying economic differences in branch opening decisions that correlate with size. Our research design limits this concern because an alternative explanation would need to affect politically motivated (large) and politically unmotivated (smaller) banks differently across HFSC districts and non-HFSC districts. In addition, this difference would need to manifest only in pre-election quarters and not at other times.

Nonetheless, to address this possibility, we first restrict the size of politically unmotivated banks so that they are more similar in size to banks in the treatment group (i.e., we eliminate small banks from the sample). Table 5 presents the findings. Specifically, columns (1) and (2) present results of our primary specification after restricting the politically unmotivated bank sample to banks that have a minimum total assets of $50 billion and $150 billion, respectively. The coefficient on $HFSC_Member \times High_PolMotiv$ across both columns is statistically and economically similar to those in our primary analyses.

Second, we conduct our primary analyses using only politically motivated banks. We obtain variation in branch openings across HFSC and non-HFSC districts where politically motivated banks operate. Because there is no within-district variation in banks' political motivations within this sample, the specification no longer includes district-quarter fixed effects. Column (3) show that politically motivated banks are more likely to open new branches in the electorates of HFSC members relative to the electorates of non-HFSC members. These findings suggest that the results are not driven by the use of, or choice

of, a particular control group.

Third, we address district-level differences in branch opening activity between large and small banks. To do so, we estimate of equation (1) after including bank-district fixed effects. These fixed effects account for time-invariant factors specific to a bank-district pair.[19] The results in column (4) show that our main inferences are unchanged.

Finally, we conduct a bootstrapping analysis. We resample our data 1,000 times to create simulated samples in which we randomly assign non-HFSC districts as pseudo-HFSC districts. We set the number of pseudo-HFSC districts each year to be the number of HFSC members running for reelection in that particular election cycle. We then estimate our primary specification for each of the 1,000 samples. Figure 1 shows that the coefficient on the interaction between $Pseudo_HFSC$ and $High_PolMotiv$ concentrates around zero. The coefficient from Table 2 is the largest estimate out of all samples, further suggesting that differences between large and small banks do not drive our results.

5.2 Are new branches in HFSC member districts simply relocations of nearby branches?

Politically motivated branch openings may simply reflect relocations from a neighboring district. We evaluate this possibility by redefining the dependent variable in equation (1). $Branch_Shift$ is equal to one if a bank has a net opening in an HFSC member's district *and* a net closure in any district that shares a border with the HFSC member's district. If branch openings are simply branch transfers, we should continue to observe a positive and statistically significant coefficient on $HFSC_Member \times High_PolMotiv$ when reestimating equation (1) with the alternative dependent variable *Branch_Shift*. By contrast, the coefficient on $HFSC_Member \times High_PolMotiv$ in column (1) of Table 6 is statistically insignificant.

[19] The inclusion of this fixed effect reduces our sample size because of the loss of observations that do not have any within-district variation in HFSC membership during our sample period (i.e., districts that are not represented on the HFSC at any point during our sample period or districts that have HFSC representation for the duration of the sample period).

5.3 Are the results driven by faster regulatory reviews of new branch applications in HFSC districts before elections?

As discussed in Section 2.2, banks are required to obtain regulatory approval to open a new branch. It is possible that HFSC members can influence this regulatory review process. Thus, an alternative explanation for our results is that HFSC members pressure regulators to expedite the approval of new branches prior to their elections. If such influence is successful, our findings could capture a shift forward in the timing of branch openings (i.e., from opening in the post-election quarter to opening in the pre-election quarter).

This explanation is unlikely for a number of reasons. First, it is unclear why politicians would only engage in this behavior for applications from politically motivated banks rather than for all banks. Second, we should observe that branch opening activity in HFSC districts in the post-election quarter is *lower* relative to other districts. The results in column (4) of Table 4, Panel B are inconsistent with this possibility. Third, we collect data from the OCC Corporate Applications Search on the dates that new branch applications are submitted and approved.[20] We reestimate equation (1) using the duration between the application submission and approval dates (N_Days_Approv) as the dependent variable. Column (2) of Table 6 presents the results. We find no evidence of a difference in approval processing times for politically motivated banks in HFSC member districts.

5.4 Are the results sensitive to removing years around the financial crisis?

We investigate whether our findings are driven by events around the 2007-2009 financial crisis. Agarwal et al. (2018) show that banks undertake efforts to cater to politicians around the crisis to help limit the implementation of new regulations or legislation. We reestimate our tests after excluding elections more affected by the crisis period. The results in Table 6, column (3), show that our main inferences remain unchanged after excluding the 2008 and 2010 election periods.

[20] Information regarding application dates during our sample period is only available for national banks.

5.5 Are the results sensitive to controlling for bank-level state deposit caps?

Banks face caps on the percentage of within-state deposits that can be held by a given bank (Johnson and Rice, 2008). To address the concern that our findings are driven by bank's pre-existing deposit concentrations in a particular state, we estimate equation (1) after controlling for the percentage of the state's total deposits held by a bank (*Deposits_Bank_State*).[21] The results in column (4) of Table 6 show that our primary inferences are unchanged after the inclusion of this control variable.

6 Additional analyses

We first conduct exploratory analyses on costs and benefits of politically motivated branch openings for banks. Second, we examine whether politically motivated banks open branches in the electorates of other powerful politicians that do not serve on the HFSC. Finally, we consider whether banks strategically time branch closures.

6.1 Costs and benefits of politically motivated branches

6.1.1 Potential cost: lower branch deposit growth

Because politically motivated branches are motivated by political considerations, they are unlikely to systematically open in locations that also maximize branch performance. Instead, these branches should experience weaker performance relative to other newly opened branches. Other branches are presumably opened with branch performance as a first order determinant. We follow prior research and use branch-level deposit growth as an observable measure of branch performance (Edelstein and Morgan, 2006; Hirtle, 2007). We compare the deposit growth for politically motivated banks' new branches in HFSC districts before elections to a control group of other branch openings.

[21] Given that this variable highly correlates with the number of bank branches in the district, including it in our main analyses increases multicollinearity concerns.

Branch openings in the control group represent three sets of openings. The three groups are branches opened during the pre-election quarter by politically motivated banks in non-HFSC districts, branches opened by politically motivated banks in HFSC member districts outside of the pre-election quarter, and branches opened at any time by politically unmotivated banks. We combine these three groups to increase the power of our tests. Focusing on only a subset of these groups results in small sample sizes, limiting test power (e.g., focusing on pre-election branch openings in HFSC districts results in a sample of only 374 observations; see Table 1, Panel C).

We start by collecting branch-level deposit data from the FDIC's SOD dataset for all branches opened during our sample period. Our focus is on deposit growth in the first year with available SOD data after the branch opening.[22] We estimate the following specification at the branch opening level:

$$\begin{aligned}\Delta Deposits_{b,i,d,t+1} = {} & \beta_1 HFSC_Open_{b,i,d,t} + \beta_2 High_PolMotiv_{i,t} \\ & + \beta_3 HFSC_Open_{b,i,d,t} \times High_PolMotiv_{i,t} + \Sigma\alpha_{i,d,t-1} Controls_{i,d,t-1} \\ & + \Sigma\alpha_i Bank_i + \Sigma\alpha_t Quarter_q + \Sigma\alpha_d District_d + \epsilon_{b,i,d,t+n}. \end{aligned} \quad (2)$$

where b indexes the branch, i indexes the bank, d indexes the district, t indexes the first year of deposit data following branch opening, and q indexes the quarter of branch opening. $\Delta Deposits$ is deposit growth during the first year after a branch opening. $HFSC_Open$ is an indicator variable equal to one if the branch opened in an HFSC member district in the quarter immediately prior to an election, and is zero otherwise. The coefficient of interest is the interaction term between $HFSC_Open$ and $High_PolMotiv$. This term captures

[22] We note two issues pertaining to the use of SOD data. First, banks report branch-level deposits only once per year on June 30th. As such, we calculate deposit growth in the first year after a branch opening as the difference between the first reported level of deposits and second reported level of deposits, scaled by the first reported level of deposits. Second, banks are permitted to assign deposits to branches using different methods, such as the branch closest to the account holder's address or the branch where the account is most active. The inclusion of bank-quarter fixed effects mitigates concerns regarding different assignment methods across banks. In addition, to explain our results, politically motivated banks would need to systematically report lower deposit growth for only branches opened in HFSC districts in the pre-election quarter.

differences in the one-year ahead deposit growth of politically motivated branch openings relative to that for control branch openings.

We account for time-varying economic factors by controlling for local income per-capita and total population. We also control for time-varying bank-level characteristics, including those related to bank performance (ROA, Tier 1 capital, and non-performing loans), loan growth, and the number of branches the bank has in the district. Finally, we include bank and district fixed effects to account for time-invariant characteristics at each level, and quarter fixed effects to account for macroeconomic trends.[23] We continue to cluster standard errors at the congressional district level.

We present regression results in Table 7. The coefficient on the interaction between $HFSC_Open$ and $High_PolMotiv$ is negative and statistically significant. This finding indicates that politically motivated branches experience relatively lower deposit growth in the year after opening relative to the control group. The economic magnitude of this effect is material: the deposit growth of politically motivated branches is approximately 37% lower in the one-year period following branch opening, relative to the average deposit growth for all branch openings in our sample (169%). This finding provides some evidence of one cost of politically motivated branches: relatively lower deposit growth.

6.1.2 Potential benefit: protection from regulatory oversight

Banks may be able to obtain a range of benefits from opening branches in the electorates of HFSC members, including more favorable legislation, insurance, or protection against enforcement. However, our study, like prior literature, faces challenges in identifying these links because we cannot observe interactions between firms and politicians. Nonetheless, we undertake some analyses to provide some suggestive evidence. Prior research documents that banks that are connected to powerful politicians take actions consistent with the belief that politicians will protect them from regulatory oversight (Yue et al., 2022; Akey et al., 2021; Lambert, 2019).

[23] We do not include more restrictive fixed effects (e.g., district-quarter) since it would substantially reduce the amount of variation in our sample.

To evaluate whether branch openings are linked to favorable regulatory outcomes for politically motivated banks, we investigate whether bank enforcement intensity differs for banks that open pre-election branches in districts served by HFSC members. Because all of the politically motivated banks in our sample are national banks, they fall under the purview of the the Office of the Comptroller of the Currency (OCC). The OCC is the primary regulator of national banks in the U.S., and is overseen in the House of Representatives by the HFSC. Theories of congressional dominance imply that because of the HFSC's oversight responsibilities, the OCC is susceptible to political influence from the committee's members. In particular, HFSC members can pressure the agency to limit enforcement against politically motivated banks. Enforcement can occur for a variety of issues, with varying levels of severity. These issues include cease and desist orders and sanctions against personnel, and often require banks to undertake costly remedial actions (Eisenbach et al., 2015; Hirtle et al., 2020; Gallemore, 2023).

To examine whether politically motivated banks are less likely to face enforcement following branch openings in HFSC districts, we construct a panel dataset consisting of bank-year observations. Given that there are regulatory differences in enforcement across agencies (e.g., Agarwal et al., 2014; Lambert, 2019), we restrict our sample for this test to national banks. We identify bank-years during which a politically motivated bank has net openings in at least one district represented by an HFSC member. We then merge data on OCC enforcement actions against banks from the S&P Global SNL Financial database. Our empirical strategy is to examine whether politically motivated banks that open at least one new branch in an HFSC member district in the pre-election quarter are less likely to face an OCC enforcement action relative to other banks.

We estimate the following equation at the bank-year level:

$$\begin{aligned} Enforce_Action_{i,t+1} = {} & \beta_1 HFSC_Open_Bank_{i,t} + \beta_2 High_PolMotiv_{i,t} \\ & + \beta_3 HFSC_Open_Bank_{i,t} \times High_PolMotiv_{i,t} + \Sigma\alpha_{i,t-1} Controls_{i,d,t-1} \\ & + \Sigma\alpha_i Bank_i + \Sigma\alpha_{r,t} Region\text{-}Year_{r,t} + \epsilon_{i,t+n}. \end{aligned} \tag{3}$$

where i indexes the bank, r indexes the bank's headquarters region (based on the Federal Reserve district classification), and t indexes the year. $Enforce_Action$ is an indicator variable equal to one if the bank receives an enforcement action in calendar year $t+1$, and zero otherwise. $HFSC_Open_Bank$ is an indicator variable equal to one if the bank opened at least one branch in an HFSC member district during the pre-election quarter in year t, and zero otherwise. The coefficient of interest is the interaction between these two variables, which captures the incremental likelihood that conditional on opening a new branch in at least one HFSC member's district prior to elections, a politically motivated bank is less likely to face an enforcement action from the OCC in the following year.

We control for time-varying bank-level factors that may influence the likelihood of receiving an enforcement action. For instance, better performing banks are less likely to receive enforcement actions. Therefore, we control for ROA, Tier 1 capital, and low quality loans (measured using non-performing loans and net charge-offs). We also control for liquidity because more liquid banks are less likely to receive enforcement actions, as well as loan growth because an expansion of the loan portfolio may signal increasing levels of bank risk. We further include bank and region-year fixed effects to account for time-invariant bank characteristics and time-varying geographic specific characteristics common to the primary area in which a bank-year operates, respectively. Finally, we cluster standard errors by bank.

We present results from estimating equation (3) in Table 8. We find that politically motivated banks that open branches in HFSC districts pre-election are less likely to face OCC enforcement actions in the subsequent year, relative to politically unmotivated banks. In terms of economic magnitude, the coefficient on the interaction term implies a 19.9 percentage point decrease in the likelihood of receiving an enforcement action in the year following the opening(s), which corresponds to approximately 84% of the unconditional likelihood of receiving an enforcement action of 23.7% (19.9%/23.7%=84%). Although this magnitude is economically large, it compares to the magnitudes documented in prior research. For instance, Lambert (2019) documents that national banks with more extensive lobbying efforts are 80% less likely to receive an enforcement action.

6.2 Do politically motivated banks also strategically open branches in the electorates of other powerful politicians?

Banks may seek to curry favor with other politicians that do not serve on the HFSC. For example, the House Ways and Means Committee is responsible for governmental revenue collection, including corporate income taxes. Banks are also likely to seek political relationships in the Senate, with members of the Senate Committee on Banking, Housing, and Urban Affairs (SCB). We empirically examine whether politically motivated banks use new branches to curry favor with these other groups of politicians. Our tests focus on pre-election branch opening activity in the districts of House members that serve on the most powerful congressional committees in the House (that do not have direct oversight of the banking sector) or politicians that serve on the SCB.

6.2.1 House of Representatives committees

We estimate equation (1) after replacing the independent variable related to HFSC membership with indicator variables capturing whether the branch district's representative serves on one of the most powerful House congressional committees. We use four proxies to identify powerful committees, following Cohen et al. (2011). The first measure, $Top1Com$, is an indicator variable equal to one if the district's representative serves on the most powerful committee and is running for reelection, and is zero otherwise. We define three additional measures using the three most powerful ($Top3Com$), five most powerful ($Top5Com$), and ten most powerful ($Top10Com$) committees. Appendix A lists the committees in each group.

Panel A in Table 9 presents the results using the four different measures of top committees. The overall evidence indicates that in the pre-election quarter, politically motivated banks do not display differential branch opening activity than other banks in districts served by powerful non-HFSC politicians. In fact, in column (4), we find some evidence that politically motivated banks are *less* likely to open branches in districts of other powerful politicians, consistent with a reallocation of resources towards branch openings from these congresspersons' districts to HFSC members' districts.

6.2.2 Senate Committee on Banking, Housing and Urban Affairs

Politically motivated banks also seek relationships with politicians on the SCB. However, Senators represent an entire state. Benefits linked to branch openings are likely to be much more localized (Nguyen, 2019). Thus, it may be more difficult for banks to convey support for SCB members via branch openings. Nonetheless, we conduct our primary analyses for elections involving SCB members.[24] To do so, we aggregate our bank-district observations to the bank-state level (i.e., the relevant geographic area for senators) and conduct parallel analyses to those for the House.

Table 9, Panel B presents results from estimating equation (1) at the bank-state level. In the regression for each column, we incrementally add a more restrictive set of fixed effects. The findings across all specifications provide no evidence that in the pre-election quarter, politically motivated banks are more likely to open branches in an SCB member's state relative to politically unmotivated banks. One interpretation is that banks use other tools to curry favor with members of the SCB due to the localized benefits of branch openings.[25]

6.3 Branch closures

Our findings above provide robust evidence that banks strategically open branches to curry favor with HFSC politicians. A natural question is whether banks also strategically time the closures of any of their branches in HFSC member district to occur after elections or a member's departure from Congress.

There are several reasons why it is complicated to identify politically motivated branch closures. First, arguments for closures are less clear in terms of potential political gain – timing the closure of a branch may limit damage to a bank's relationship with a politician but it is unlikely to curry favor. We also note that if a politician departs Congress, subsequent branch closures are endogenous to local economic conditions.

[24] Because of the staggered election system in the Senate, only one-third of all senators (and thus approximately one-third of SCB members are up for election in every election period).

[25] Chu and Zhang (2022) find that banks increase mortgage approval rates in SCB chair states ahead of competitive elections.

Second, Section 42 of the Federal Deposit Insurance Act mandates that banks provide at least 90 days' public notice before a branch can be closed. Politically motivated banks are unlikely to provide such notice before elections. Thus, assuming notice is given immediately after an election in early November, the earliest strategically timed branch closures could occur in February of the following year.

Third, banks may time closures around branch location lease contract end dates to minimize closing costs. Fourth, because politicians can join and depart congressional committees, committee membership is only determined and ratified by each party following the start of each Congress (which is in January, in the year following congressional elections). Banks will likely wait until HFSC committee membership is finalized before determining their closure decisions.

Nonetheless, we conduct analyses to examine whether politically motivated banks display differential closure activity in HFSC member electorates. Given the abovementioned issues, we focus on closures in the calendar year following elections rather than specific quarters. We consider two settings: following all elections (i.e., post-election) and the subset of post-election years in which HFSC members depart from Congress.

6.3.1 Closures following elections

To examine closures following elections, we estimate a modified version of equation (1) at the annual level for odd years (i.e., the year after congressional elections). We replace the dependent variable with a new indicator variable set equal to one if the bank-district experiences a net closure (i.e., more closures than openings) and is zero otherwise ($Close_Branch$). We also control for the average deposit growth of all the bank's branches in the district ($\Delta Deposits_Bank_District$). Column (1) of Table 10 presents the results. We find no evidence that politically motivated banks are more likely than other banks to close branches in HFSC member districts in off-election years.

6.3.2 Closures following HFSC member departures

Politically connected banks may also delay branch closures in HFSC member districts until after the politicians transfer out of the committee. We identify instances of HFSC member departures from Congress and examine whether politically connected banks are more likely to close branches in these members' districts in the year after they depart. We exclude cases in which the incoming politician also joins the HFSC. In such cases, a district remains "represented" on the HFSC, albeit with a different politician.

We again estimate a modified version of equation (1) at the annual level for odd years (i.e., the year after congressional elections) and replace the dependent variable with *Close_Branch*. The findings are tabulated in column (2) of Table 10. We find that the coefficient on the interaction term is positive and economically large but statistically insignificant. This finding provides limited evidence that politically motivated banks strategically delaying branch closure decisions until HFSC members depart from the committee.

7 Conclusion

Using the U.S. banking sector as our setting, we document that politically motivated banks strategically use branch openings to curry favor. These banks (relative to politically unmotivated banks) are more likely to open new branches before elections in the electorates of House members that sit on the congressional committee with primary oversight for the banking sector (the HFSC). In economic terms, we estimate that these politically motivated branch openings represent between 5.3% and 7.5% of all branch openings by our sample banks in the pre-election window.

Consistent with our findings being driven by political considerations, we find that politically motivated banks do not display differential opening activity to other banks in HFSC districts (1) earlier during election years, (2) in the months immediately following elections, or (3) in pre-election windows during non-election years. Furthermore, we provide

suggestive evidence on some of the costs and benefits of politically motivated openings.

Our study has relevance for an intensifying debate about the extent of corporate influence in the U.S. political process, both in a macro sense, and also specifically in the context of the banking sector. Our paper is also likely to be of interest for regulators and other stakeholders that seek to understand the range of mechanisms through which corporations attempt to curry political favor.

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Appendix A. Variable Definitions

This appendix provides variable definitions and data sources. Continuous variables are winsorized at the 1st and 99th percentiles.

Variable	Definition	Data Source
$Branch_Shift$	An indicator variable equal to one if the bank has a net opening of branches in the district-quarter and a net closure in a neighboring district-quarter (classified by geographic proximity) and is zero otherwise. Net opening is defined as the number of branch openings in the bank-district-quarter minus the number of branch closures in the bank-district-quarter. Net closure is defined as the number of branch closures in the bank-district-quarter minus the number of branch openings in the bank-district-quarter.	FDIC's BankFind Suite
$Close_Branch$	An indicator variable equal to one if the bank has a net closure of branches in the district-quarter and is zero otherwise. Net closure is defined as the number of branch closures in the bank-district-quarter minus the number of branch openings in the bank-district.	FDIC's BankFind Suite
$County_IncomePerCap$	Log of county-level income per capita as of year $t-1$.	Census Bureau
$County_Population$	Log of the county-level population as of year $t-1$.	Census Bureau
$\Delta Deposits$	The percentage change in branch total deposits from year t to $t+1$ following branch opening.	FDIC's BankFind Suite
$\Delta Deposits_Bank_District$	The percentage change in total deposits in the prior year of the bank's branches in that district. Deposit growth for each branch is weighted by the branch's relative size (based on total deposits).	FDIC's BankFind Suite
$Deposits_Bank_State$	Log of the total amount of deposits held by the bank's branches in that state in the prior year.	FDIC's BankFind Suite
$Enforce_Action$	Indicator variable equal to one if the bank receives an enforcement action in year $t+1$ and is zero otherwise.	S&P Global SNL Financial
$HFSC_Member$	Indicator variable equal to one if the representative is on the HFSC and is running for reelection and is zero otherwise.	Charles Stewart database
$HFSC_Member_Close$	Indicator variable equal to one if the HFSC member running for reelection is in a closely contested election, and is zero otherwise. We define an election as closely contested if the district's current election had a winning margin within 5%.	Charles Stewart database
$HFSC_Member_Junior$	Indicator variable equal to one if the HFSC member running for reelection is in the bottom three quartiles of seniority for that year and is zero otherwise.	Charles Stewart database
$HFSC_Member_NotClose$	Indicator variable equal to one if the HFSC member running for reelection is not in a closely contested election, and is zero otherwise. We define an election as closely contested if the district's current election had a winning margin within 5%.	Charles Stewart database
$HFSC_Member_Senior$	Indicator variable equal to one if the HFSC member running for reelection is in the top quartile of seniority for that year and is zero otherwise.	Charles Stewart database

Appendix A. Variable Definitions (continued)

Variable	Definition	Data Source
$HFSC_Open_Bank$	Indicator variable equal to one if the bank opened at least one branch in an HFSC district during the pre-election quarter of year t and is zero otherwise.	Charles Stewart database & FDIC's BankFind Suite
$HFSC_Open$	Indicator variable equal to one if the branch opens in an HFSC member district in the pre-election quarter and is zero otherwise.	Charles Stewart database & FDIC's BankFind Suite
$High_PolMotiv$	One of three measures: (1) an indicator variable equal to one if the bank has total assets greater than $250 billion as of the most recent quarter end and is zero otherwise; (2) an indicator variable equal to one if the bank is in the top quartile of PAC contributions for year t and is zero otherwise; or (3) an indicator variable equal to one if the bank is in the top quartile of lobbying for year t and is zero otherwise.	FR Y-9C or Call report; Federal Election Commission (FEC); Center for Responsive Politics
$Liquidity$	Cash and cash equivalents scaled by total assets.	FR Y-9C or Call report
$\Delta Loans$	Change in total loans during year $t-1$.	FR Y-9C or Call report
$N_Branches_Bank_District$	Log of the total number of the bank's branches operating in that district in the prior year.	FDIC's BankFind Suite
$N_Branches_Bank_State$	Log of the total number of the bank's branches operating in that state in the prior year.	FDIC's BankFind Suite
$N_Branches_District$	Log of the total number of branches operating in that district in the prior year.	FDIC's BankFind Suite
N_Days_App	The number of days between application submission and approval.	Office of the Comptroller of the Currency Corporate Applications Search (CAS)
NCO	Net charge-offs scaled by total loans.	FR Y-9C or Call report
NPL	Non-performing loans scaled by total loans in year $t-1$.	FR Y-9C or Call report
$Open_Branch$	An indicator variable equal to one if the bank has a net opening of branches in the district-quarter and is zero otherwise. Net opening is defined as the number of branch openings in the bank-district-quarter minus the number of branch closures in the bank-district-quarter.	FDIC's BankFind Suite
ROA	Net income scaled by total assets in year $t-1$.	FR Y-9C or Call report
SCB_Member	Indicator variable equal to one if the representative is on the Senate committee for Banking, Housing, and Urban Development and is running for reelection and is zero otherwise.	Charles Stewart database
$Tier1Capital$	Tier 1 risk-based capital ratio at year $t-1$.	FR Y-9C or Call report

Appendix A. Variable Definitions (continued)

Variable	Definition	Data Source
$Top1Com_Member$	Indicator variable equal to one if the representative is on the House Ways and Means committee and is running for re-election and is zero otherwise.	Charles Stewart database
$Top3Com_Member$	Indicator variable equal to one if the representative is on the House Ways and Means committee, Appropriations committee, or Energy and Commerce committee and is running for re-election and is zero otherwise.	Charles Stewart database
$Top5Com_Member$	Indicator variable equal to one if the representative is on the House Ways and Means committee, Appropriations committee, Energy and Commerce committee, Rules committee, or International Relations committee and is running for re-election and is zero otherwise.	Charles Stewart database
$Top10Com_Member$	Indicator variable equal to one if the representative is on the House Ways and Means committee, Appropriations committee, Energy and Commerce committee, Rules committee, and International Relations committee, Armed Services committee, Intelligence committee, Judiciary committee, Homeland Security committee, and Transportation or Infrastructure committee and is running for re-election and is zero otherwise.	Charles Stewart database

Figure 1: Bootstrapping Estimates: Branch Openings around Elections and HFSC Membership

This figure plots the coefficient on the interaction between $HFSC_Member$ and $High_PolMotiv$ from estimations of equation (1) using 1,000 bootstrap samples that randomly assign pseudo-HFSC districts.

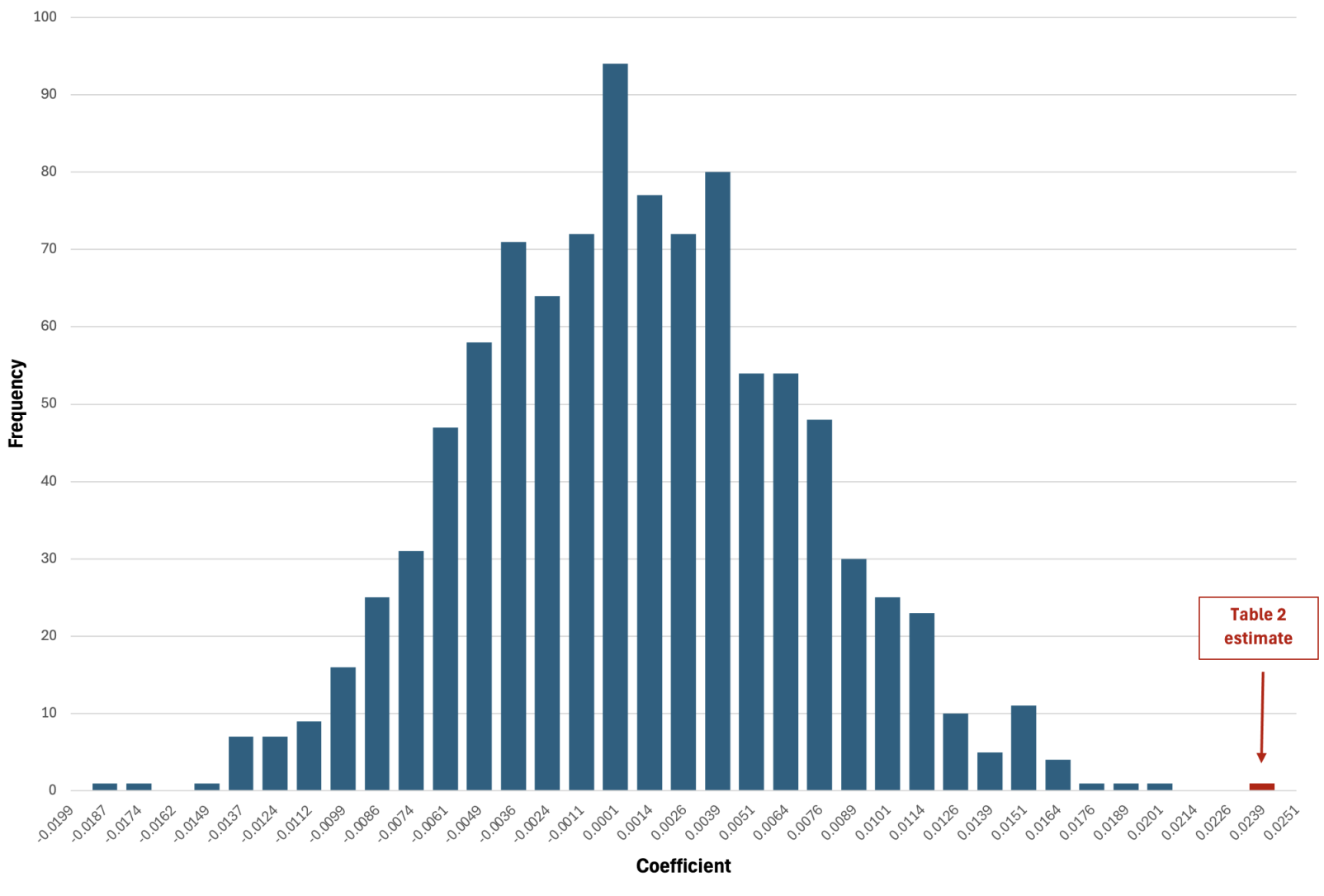


Table 1: Descriptive Statistics

This table presents descriptive statistics for the sample of bank-district observations used in empirical tests. The observations span 2004 – 2018. Panel A presents descriptive statistics for our sample of bank-districts in the pre-election quarter (August - October of even years) for banks greater than $1 billion in total assets. The panel also provides information regarding the number of unique banks per district, the number of branches per district, the total land area (in square miles) in the district, and the number of days from application approval to branch opening for national bank branch openings in the district. All descriptives are presented in total as well as split by HFSC and non-HFSC districts. Panel B presents descriptive statistics for HFSC members in each election year during our sample period. Panel C presents the number of branch openings during each pre-election quarter. We present the total number of openings and the number of openings in HFSC and non-HFSC districts, respectively.

Panel A: Characteristics of Bank-Districts

	All bank-districts (N = 47,166)			HFSC bank-districts (N = 6,861)			non-HFSC bank-districts (N = 40,305)		
	Mean	Median	Std Dev	Mean	Median	Std Dev	Mean	Median	Std Dev
HFSC_Member	0.145	0.000	0.353						
Open_Branch	0.026	0.000	0.159	0.034	0.000	0.180	0.025	0.000	0.155
High_PolMotiv	0.213	0.000	0.409	0.189	0.000	0.392	0.217	0.000	0.412
N_Branches_Bank_District	6.8	3.0	8.3	7.2	3.0	9.8	6.7	3.0	8.0
# Unique Banks in District	33	28	21	38	34	20	32	26	20
# Branches in District	109	102	48	150	146	64	101	97	41
Land Area (in square miles)	7,197	2,151	24,420	5,263	1,087	11,853	7,555	2,350	26,074
# Days to open Branch	180	121	174	191	129	184	176	119	170

Panel B: HFSC Districts by Election Year

				Seniority (in years)		
Election year	# HFSC districts	% Republican members	# states represented	minimum	mean	maximum
2004	68	51%	33	2	7	28
2006	68	53%	30	2	8	30
2008	70	47%	32	2	7	28
2010	72	42%	27	2	8	30
2012	59	54%	27	2	9	32
2014	59	54%	32	2	8	24
2016	60	57%	33	2	8	26
2018	60	57%	31	2	9	28

Panel C: Branch Openings by Election Year

	# pre-election openings		
Election year	All	HFSC districts	non-HFSC districts
2004	283	68	215
2006	288	82	206
2008	251	73	178
2010	155	35	120
2012	178	45	133
2014	103	23	80
2016	100	19	81
2018	145	29	116
Total	1,503	374	1,129

Table 2: Branch Openings Before Elections and HFSC Membership

This table presents results from OLS regressions examining whether politically motivated banks are more likely to open new branches in the electorates of politicians serving on the House Financial Services Committee (HFSC). The sample period for all specifications is the quarter immediately prior to congressional elections (the three-month period ending on October 31 in even years). The sample includes banks with total assets greater than $1 billion. The dependent variable (*Open_Branch*) is an indicator variable equal to one if a bank has a net opening in a congressional district and is zero otherwise. *HFSC_Member* is an indicator variable equal to one if a district is represented by a politician that serves on the HFSC who is running for reelection and is zero otherwise. *High_PolMotiv* is an indicator variable set equal to one for: banks with total assets exceeding $250 billion at the end of the most recent fiscal quarter and is zero otherwise (columns (1) through (3)); bank-years in the top quartile of PAC contributions and is zero otherwise (column (4)); bank-years in the top quartile of lobbying and is zero otherwise (column (5)). All other variables are defined in Appendix A. *t*-statistics are in parentheses. Standard errors are clustered at the congressional district level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Dependent Variable:	*Open_Branch*				
High_PolMotiv measure:	> $250B	> $250B	> $250B	Contributions	Lobbying
Model:	(1)	(2)	(3)	(4)	(5)
HFSC_Member	0.0012				
	(0.32)				
High_PolMotiv	-0.0116	-0.0154*			
	(-1.40)	(-1.80)			
HFSC_Member × *High_PolMotiv*	0.0208***	0.0231***	0.0228***	0.0304**	0.0259***
	(2.82)	(3.12)	(3.15)	(2.21)	(2.95)
N_Branches_Bank_District	-0.0001	0.0003	0.0009	0.0009	0.0009
	(-0.14)	(0.27)	(0.79)	(0.83)	(0.79)
Observations	47,166	47,166	46,766	46,766	46,766
R-Squared	0.0600	0.1276	0.1947	0.1946	0.1948
Bank FE	Yes	Yes	No	No	No
Quarter FE	Yes	No	No	No	No
District FE	Yes	No	No	No	No
District × Quarter FE	No	Yes	Yes	Yes	Yes
Bank × Quarter FE	No	No	Yes	Yes	Yes

Table 3: Branch Openings and HFSC Membership: Bank Incentives

This table presents results from OLS regressions examining cross-sectional variation in whether politically motivated banks are more likely to open new branches in the electorates of politicians serving on the House Financial Services Committee (HFSC). The sample period for all specifications is the quarter immediately prior to congressional elections (the three-month period ending on October 31 in even years). The sample includes banks with total assets greater than $1 billion. The dependent variable (*Open_Branch*) is an indicator variable equal to one if a bank has a net opening in a congressional district and is zero otherwise. *HFSC_Member_Close* (*HFSC_Member_NotClose*) is an indicator variable equal to one if the HFSC member running for reelection is in a closely (not closely) contested election, and is zero otherwise. *HFSC_Member_Senior* (*HFSC_Member_Junior*) is an indicator variable equal to one if the HFSC member running for reelection is in the top quartile (bottom three quartiles) of seniority for that year, and is zero otherwise. *High_PolMotiv* is an indicator variable set equal to one for banks with total assets exceeding $250 billion at the end of the most recent fiscal quarter and is zero otherwise. All other variables are defined in Appendix A. *t*-statistics are in parentheses. Standard errors are clustered at the congressional district level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Dependent Variable:	*Open_Branch*	
Model:	(1)	(2)
HFSC_Member_Close × *High_PolMotiv*	0.022	
	(1.02)	
HFSC_Member_NotClose × *High_PolMotiv*	0.023***	
	(2.80)	
HFSC_Member_Senior × *High_PolMotiv*		0.0378***
		(3.62)
HFSC_Member_Junior × *High_PolMotiv*		0.0157*
		(1.75)
N_Branches_Bank_District	0.0009	0.0009
	(0.82)	(0.79)
p-value of difference in coeff.	0.9606	0.0959
Observations	46,766	46,766
R-Squared	0.1947	0.1948
District × Quarter FE	Yes	Yes
Bank × Quarter FE	Yes	Yes

Table 4: Branch Openings and HFSC Membership: Alternative Windows

This table presents results from OLS regressions examining whether politically motivated banks are more likely to open new branches in the electorates of politicians serving on the House Financial Services Committee (HFSC). In Panel A, the sample period in column (1) is the quarter immediately prior to congressional elections (the three-month period ending on October 31 in even years), and in column (2) is the quarter ending on October 31 in *non-election* years (i.e., odd years). The sample includes banks with total assets greater than $1 billion. Column (3) includes a statistical test of the difference in coefficients from column (1) vs. column (2). In Panel B, the sample period in column (3) is the quarter immediately prior to congressional elections (the three-month period ending on October 31 in even years). The sample periods in columns (1) and (2) [(4) and (5)] are the two quarters prior to [following] the pre-election quarter. The sample includes banks with total assets greater than $1 billion. The dependent variable (*Open_Branch*) is an indicator variable equal to one if a bank has a net opening in a congressional district and is zero otherwise. *HFSC_Member* is an indicator variable equal to one if a district is represented by a politician that serves on the HFSC who is running for reelection and is zero otherwise. *High_PolMotiv* is an indicator variable set equal to one for banks with total assets exceeding $250 billion at the end of the most recent fiscal quarter and is zero otherwise. All other variables are defined in Appendix A. *t*-statistics are in parentheses. Standard errors are clustered at the congressional district level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Falsification Test Using Non-Election Years

Dependent Variable:	*Open_Branch*		
Quarter included (end date):	Oct 31 (election year)	Oct 31 (non-election year)	Coeff. Diff.
Model:	(1)	(2)	(1) – (2)
HFSC_Member × *High_PolMotiv*	0.0228***	0.0031	0.0197
	(3.15)	(0.47)	(2.22)**
N_Branches_Bank_District	0.0009	0.0012	
	(0.79)	(1.07)	
Observations	46,766	40,789	
R-Squared	0.1947	0.1995	
District × Quarter FE	Yes	Yes	
Bank × Quarter FE	Yes	Yes	

Panel B: Expanded Window Around Elections

Dependent Variable:	*Open_Branch*				
Quarter included (end date):	April 30 (election year)	July 31 (election year)	Oct 31 (election year)	Jan 31 (non-election year)	April 30 (non-election year)
Model:	(1)	(2)	(3)	(4)	(5)
$HFSC_Member \times High_PolMotiv$	0.0072	0.0072	0.0228***	0.0076	0.0075
	(1.20)	(1.13)	(3.15)	(0.94)	(1.11)
$N_Branches_Bank_District$	0.0002	0.0022**	0.0009	0.0038***	0.0004
	(0.20)	(2.09)	(0.79)	(2.83)	(0.32)
Observations	44,344	46,623	46,766	39,265	39,388
R-Squared	0.1937	0.1945	0.1947	0.1975	0.1897
District × Quarter FE	Yes	Yes	Yes	Yes	Yes
Bank × Quarter FE	Yes	Yes	Yes	Yes	Yes

Table 5: Sensitivity Tests Related to Bank Size

This table presents results from robustness tests related to bank size by estimating OLS regressions examining whether politically motivated banks are more likely to open new branches in the electorates of politicians serving on the House Financial Services Committee (HFSC). The sample period for all specifications is the quarter immediately prior to congressional elections (the three-month period ending on October 31 in even years). The sample in columns (1) to (3) includes banks with total assets greater than $50 billion, $150 billion, and $250 billion, respectively. The sample in column (4) includes banks with total assets greater than $1 billion. The dependent variable (*Open_Branch*) is an indicator variable equal to one if a bank has a net opening in a congressional district and is zero otherwise. *High_PolMotiv* is an indicator variable set equal to one for banks with total assets exceeding $250 billion at the end of the most recent fiscal quarter and is zero otherwise. *HFSC_Member* is an indicator variable equal to one if a district is represented by a politician that serves on the HFSC who is running for reelection and is zero otherwise. All other variables are defined in Appendix A. *t*-statistics are in parentheses. Standard errors are clustered at the congressional district level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Dependent Variable:	*Open_Branch*			
Sample changes:	Only banks with total assets > $50 billion	Only banks with total assets > $150 billion	Only banks with total assets > $250 billion	N/A
Model:	(1)	(2)	(3)	(4)
HFSC_Member × *High_PolMotiv*	0.0191**	0.0335**		0.0320***
	(2.17)	(2.10)		(2.79)
HFSC_Member			0.0286***	
			(2.97)	
N_Branches_Bank_District	0.0032*	-0.0012	-0.0003	-0.0073***
	(1.84)	(-0.45)	(-0.12)	(-3.44)
Observations	20,176	12,276	10,009	43,647
R-Squared	0.2336	0.3044	0.0874	0.3728
District FE	No	No	Yes	No
District × Quarter FE	Yes	Yes	No	Yes
Bank × Quarter FE	Yes	Yes	Yes	Yes
Bank × District FE	No	No	No	Yes

Table 6: Robustness Tests

This table presents results from robustness tests related to OLS regressions examining whether politically motivated banks are more likely to open new branches in the electorates of politicians serving on the House Financial Services Committee (HFSC). The sample period for all specifications is the quarter immediately prior to congressional elections (the three-month period ending on October 31 in even years). The sample includes banks with total assets greater than $1 billion unless stated otherwise. The dependent variable in each column is: *Branch_Shift*, an indicator variable equal to one if the bank has a net opening of branches in the district and a net closure in a neighboring district (classified by geographic proximity), and is zero otherwise (column (1)); *N_Days_Applic*, the number of days between application submission and approval (column (2)); *Open_Branch*, an indicator variable equal to one if a bank has a net opening in a congressional district and is zero otherwise (columns (3) and (4)). *High_PolMotiv* is an indicator variable set equal to one for banks with total assets exceeding $250 billion at the end of the most recent fiscal quarter and is zero otherwise. *HFSC_Member* is an indicator variable equal to one if a district is represented by a politician that serves on the HFSC who is running for reelection and is zero otherwise. All other variables are defined in Appendix A. *t*-statistics are in parentheses. Standard errors are clustered at the congressional district level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Dependent Variable:	*Branch_Shift*	*N_Days_Applic*	*Open_Branch*	*Open_Branch*
Observations:	All bank-quarters	Branch openings	Bank-quarters excluding 2008 and 2010	All bank-quarters
Model:	(1)	(2)	(3)	(4)
HFSC_Member × *High_PolMotiv*	0.0009	1.1103	0.0165**	0.0228***
	(0.49)	(1.07)	(2.22)	(3.14)
High_PolMotiv		0.1980		
		(0.22)		
HFSC_Member		0.7337		
		(0.69)		
N_Branches_Bank_District	0.0007***	-0.5785***	-0.0017	0.0009
	(3.18)	(-2.95)	(-1.30)	(0.79)
Deposits_Bank_State				-0.0000
				(-0.06)
Observations	46,766	4,386	35,470	46,766
R-Squared	0.1102	0.2508	0.2032	0.1947
Bank FE	No	Yes	No	No
District FE	No	Yes	No	No
District × Quarter FE	Yes	No	Yes	Yes
Bank × Quarter FE	Yes	No	Yes	Yes
Opening Quarter FE	No	Yes	No	No

Table 7: Deposit Growth following Branch Openings

This table presents results from an OLS regression examining whether branches opened by politically motivated banks in the electorates of politicians serving on the House Financial Services Committee (HFSC) in the quarter prior to congressional elections experience weaker growth in deposits relative to other newly opened branches. The observation level is branch opening, and the sample includes all branch openings during our sample period by banks with total assets greater than $1 billion. The dependent variable, $\Delta Deposits_{t,t+1}$, is deposit growth in the first year following the opening in t. $HFSC_Open$ is an indicator variable equal to one if the branch opens in an HFSC member district in the pre-election quarter and is zero otherwise. $High_PolMotiv$ is an indicator variable set equal to one for banks with total assets exceeding $250 billion at the end of the most recent fiscal quarter and is zero otherwise. All other variables are defined in Appendix A. t-statistics are in parentheses. Standard errors are clustered at the congressional district level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Dependent Variable:	$\Delta Deposits_{t,t+1}$
Model:	(1)
$HFSC_Open$	0.2696
	(1.16)
$High_PolMotiv$	-0.1234
	(-0.47)
$HFSC_Open \times High_PolMotiv$	-0.6281***
	(-2.86)
$County_IncomePerCap$	0.2369
	(1.42)
$County_Population$	0.0676
	(1.41)
ROA	-1.0105
	(-0.18)
$Tier1Capital$	-0.6154
	(-0.32)
NPL	-1.7071
	(-0.49)
$\Delta Loans$	-0.1659
	(-1.07)
$N_Branches_District$	0.1013
	(0.69)
Observations	8,466
R-Squared	0.2660
Bank FE	Yes
Opening Quarter FE	Yes
District FE	Yes

Table 8: Enforcement Actions following Branch Openings

This table presents results from an OLS regression examining whether politically motivated banks that open new branches in the electorates of politicians serving on the House Financial Services Committee (HFSC) in the quarter prior to congressional elections are less likely to subsequently face regulatory enforcement from the Office of the Comptroller of the Currency. The sample consists of bank-year observations for national banks with total assets greater than $1 billion. The dependent variable ($Enforce_Action$) is an indicator variable equal to one if the bank receives an enforcement action in year $t+1$ and is zero otherwise, where t is an election year. $HFSC_Open_Bank$ is an indicator variable equal to one if the bank opened at least one branch in an HFSC district during the pre-election quarter of year t and is zero otherwise. $High_PolMotiv$ is an indicator variable set equal to one for banks with total assets exceeding $250 billion at the end of the most recent financial quarter and is zero otherwise. All other variables are defined in Appendix A. t-statistics are in parentheses. Standard errors are clustered at the bank level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Dependent Variable:	$Enforce_Action_{t+1}$
Model:	(1)
$HFSC_Open_Bank$	0.1256
	(1.56)
$High_PolMotiv$	0.1024
	(1.18)
$HFSC_Open_Bank \times High_PolMotiv$	-0.1987*
	(-1.70)
ROA	2.4806*
	(1.90)
$Tier1Capital$	-0.0706
	(-0.14)
NPL	0.0053
	(0.01)
NCO	0.0000
	(1.53)
$Liquidity$	0.4596
	(1.04)
$\Delta Loans$	-0.0764
	(-1.58)
Observations	1,412
R-Squared	0.5666
Bank FE	Yes
Region × Year FE	Yes

Table 9: Branch Openings and Other Congressional Committees

This table presents results from OLS regressions examining whether politically motivated banks are more likely to open new branches in the electorates of politicians serving on other powerful House committees (Panel A) or on the Senate Committee on Banking (SCB) (Panel B). The sample period for all specifications is the quarter immediately prior to congressional elections (the three-month period ending on October 31 in even years for the House or the three-month period ending on October 31 in the Senator's election year). The sample includes banks with total assets greater than $1 billion. *Open_Branch* is an indicator variable equal to one if a bank has a net opening in a congressional district and is zero otherwise. *TopXCom_Member* is an indicator variable equal to one if a district is represented by a politician that serves on at least one of the most powerful ($X = 1$), three most powerful ($X = 3$), five most powerful ($X = 5$), or ten most powerful ($X = 10$) committees and is zero otherwise. *Open_Branch_State* is an indicator variable equal to one if the bank has a net opening in the state and zero if otherwise. *SCB_Member* is an indicator variable equal to one if a state is represented by a politician that serves on the SCB who is running for reelection and is zero otherwise. *High_PolMotiv* is an indicator variable set equal to one for banks with total assets exceeding $250 billion at the end of the most recent fiscal quarter and is zero otherwise. All other variables are defined in Appendix A. *t*-statistics are in parentheses. Standard errors are clustered at the congressional district level (Panel A) or state level (Panel B). ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Powerful Non-Banking House Committees

Dependent Variable:	*Open_Branch*			
Model:	(1)	(2)	(3)	(4)
*Top*1*Com_Member* × *High_PolMotiv*	-0.0032			
	(-0.38)			
*Top*3*Com_Member* × *High_PolMotiv*		-0.0025		
		(-0.54)		
*Top*5*Com_Member* × *High_PolMotiv*			-0.0044	
			(-0.98)	
*Top*10*Com_Member* × *High_PolMotiv*				-0.0113**
				(-2.51)
N_Branches_Bank_District	0.0010	0.0010	0.0010	0.0009
	(0.89)	(0.88)	(0.89)	(0.83)
Observations	46,766	46,766	46,766	46,766
R-Squared	0.1944	0.1944	0.1944	0.1946
District × Quarter FE	Yes	Yes	Yes	Yes
Bank × Quarter FE	Yes	Yes	Yes	Yes

Panel B: Senate Committee on Banking (SCB)

Dependent Variable:	*Open_Branch_State*		
Model:	(1)	(2)	(3)
SCB_Member	-0.0015		
	(-0.14)		
High_PolMotiv	-0.0481	-0.0645**	
	(-1.54)	(-2.03)	
SCB_Member × *High_PolMotiv*	0.0188	0.0212	0.0284
	(0.64)	(0.70)	(0.84)
N_Branches_Bank_State	0.0156***	0.0154***	0.0245***
	(4.54)	(4.32)	(5.47)
Observations	9,389	9,389	7,429
R-Squared	0.1773	0.2129	0.3795
Bank FE	Yes	Yes	No
Quarter FE	Yes	No	No
State FE	Yes	No	No
State × Quarter FE	No	Yes	Yes
Bank × Quarter FE	No	No	Yes

Table 10: Branch Closures and HFSC Membership

This table presents results from OLS regressions examining whether politically motivated banks are more likely to close branches in the electorates of politicians serving on the House Financial Services Committee (HFSC) following elections. The sample period for column (1) is the calendar year following elections and for column (2) is the calendar year following elections when the HFSC politician departs from Congress. The sample includes banks with total assets greater than $1 billion. The dependent variable (*Close_Branch*) is an indicator variable equal to one if a bank has a net closure in a congressional district and is zero otherwise. *HFSC_Member* is an indicator variable equal to one if a district is represented by a politician that serves on the HFSC who is running for reelection and is zero otherwise. *High_PolMotiv* is an indicator variable set equal to one for banks with total assets exceeding $250 billion at the end of the most recent fiscal quarter and is zero otherwise. All other variables are defined in Appendix A. *t*-statistics are in parentheses. Standard errors are clustered at the congressional district level. ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

Dependent Variable:	*Close_Branch*	
Sample:	Post-election	Post-politician departure
Model:	(1)	(2)
HFSC_Member × *High_PolMotiv*	-0.0020	0.0617
	(-0.13)	(1.49)
High_PolMotiv		0.0202
		(0.38)
N_Branches_Bank_District	0.0999***	0.1180***
	(28.25)	(12.45)
Δ*Deposits_Bank_District*	-0.0033	0.0032
	(-0.81)	(0.26)
Observations	33,775	4,353
R-Squared	0.3136	0.2980
Bank FE	No	Yes
Bank × Year FE	Yes	No
District × Year FE	Yes	Yes