THE STATE OF BANK REINVESTMENT IN NEW YORK CITY: 2014

an annual report analyzing how banks meet neighborhood credit needs and the local impact of the Community Reinvestment Act

anhd
ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.

THE STATE OF BANK REINVESTMENT IN NEW YORK CITY: 2014

An annual report analyzing how banks meet neighborhood credit needs and the local impact of the Community Reinvestment Act

Founded in 1974, the Association for Neighborhood and Housing Development (ANHD) has grown into a consortium of 98 non-profit housing and equitable economic development organizations serving low- and moderate-income New Yorkers. ANHD is dedicated to policy research, advocacy, strategic communications, and leadership development to support these members and to ensure flourishing neighborhoods and decent, affordable housing for all New Yorkers. To date, ANHD and its members have built over 100,000 units of housing and, in the past decade alone, leveraged over $1.3 billion dollars for affordable housing while launching innovative policies for community development in New York City.

For more information on ANHD's reports and programs, please see www.anhd.org or contact: The Association for Neighborhood and Housing Development, 50 Broad Street, Ste. 1402, New York, New York 10004. 212-747-1117.

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EXECUTIVE SUMMARY

Summary of Major Findings

Change in Reinvestment 2011-12, 2012-13 (Billions)					
	2011	2012	% change	2013	%change
Locally Held Deposits	$715	$805	12.7%	$870	8%
Overall Reinvestment Volume	$7.3	$9.9	36.1%	$11.2	12.9%
Community Development Reinvestment	$3.5	$5.3	50.1%	$6.1	16.5%
Core Consumer & Commercial Lending Reinvestment	$3.8	$4.7	23.3%	$5.1	9.2%

- **Local deposits** continue to increase, albeit at a slower pace than in 2011. Deposits were up 13% in 2012 and 8% in 2013, reaching $870 billion. However, in 2012 five banks increased deposits, yet decreased their reinvestment in NYC. In 2013, seven banks also increased deposits but decreased reinvestment in NYC.
- **The multifamily market remains strong,** increasing in 2012 and 2013. In 2012, the dollar amount loaned in lower-income neighborhoods decreased, but in 2013, lending increased in both categories at about the same rate. The number and dollar of multifamily loans qualifying for community development increased in each year. While signs of physical and financial distress remain low, the rising rents and sales prices citywide, including in historically more affordable neighborhoods, are troubling and suggest that lower-income tenants everywhere will face even more pressure and probable harassment and displacement.
- **Community development lending and investments increased in 2012 and again in 2013.** The number of investments dipped in 2012, but rose again in 2013. Lending to nonprofits fluctuated, with the amount loaned down slightly in 2012 and up again much more in 2013, while the number of loans increased in 2012 and decreased again in 2013. Investments with nonprofits fluctuated in a similar manner, but the percentages overall are lower. Lending to neighborhood-based CDC's remains very low.
- **With a few exceptions, the percentage of community development loans and investments under the economic development category is very small, highlighting the challenges with the category and the opportunity for activity to support quality jobs. 8 of 22 banks reported that none** of their community development loans fell under the economic development category; only 7 reported 25% or more. These numbers decrease further when factoring in multifamily community development lending. **14 of 16 banks reported that less than 1% of their investments went for economic development**. Grants were a bit higher, **with two banks dedicating about a third of grant dollars to economic development and another three banks dedicating 50% or more.**
- **The number of branches remained relatively stable across the City, but the distribution remains inequitable,** with core Manhattan inundated with branches, while lower-income neighborhoods in the Bronx, Brooklyn, and Queens still lack sufficient branches and ATMs. Some new accounts appear more accessible to lower-income New Yorkers, but many remain out of reach.
- In 2013, the total number of **loans to purchase 1-4 family homes** increased by 9.6%, **but only by 3.5% to lower-income borrowers.** In 2012, the number of loans overall declined by 2.4% overall and by nearly four times that (down 8.3%) to lower-income borrowers. Reflective of trends nationwide due to historically low interest rates, **refinance lending** increased by about 20% in 2012, and decreased again in 2013. Thousands of homeowners are still in, or at risk of, **foreclosures**, with the highest percentages in communities of color in Brooklyn, Queens, and the Bronx. Homeowners in foreclosure still struggle to get relief, but better processes and staff at some banks are helping.

The Association for Neighborhood and Housing Development (ANHD) produces this annual report to demonstrate the impact of the Community Reinvestment Act (CRA) at a very local level. The CRA was passed in 1977 in response to the devastating affect that redlining and disinvestment had on low- and moderate-income communities around the country. New York City was deeply affected by this disinvestment which, together with other forces, left dozens of neighborhoods in our city suffering from severe neglect and distress. ANHD was part of the social movement that led to the passage of the CRA and we have seen the enormous benefits that the law has brought to our city, including over 300,000 units of affordable housing that were financed with public subsidies leveraging private bank investments that were produced as a direct result of the CRA.

The CRA states that banks have an affirmative obligation to help meet the credit needs of the low- and moderate-income neighborhoods in which they do business, consistent with safe and sound business practices. ANHD has a deep appreciation of both the need for and the benefits of effective bank reinvestment and government policies that hold banks accountable to help meet the credit needs of our at-risk communities.

Banks receive significant taxpayer-backed public benefits from the federal government. These benefits must come with the understanding that banks will provide their services equitably in the communities in which they operate. New York City differs county by county and even block by block. ANHD believes that reinvestment is most effective if the bank has a clear understanding of the local issues and needs of individual communities and how the bank's reinvestment activity will address them. We believe it is important for bank regulators, legislators, and local residents to understand exactly where and how their federally-insured deposits and other assets are being reinvested in their local community every year. However, the CRA requires banks to act locally, but report regionally, and this makes accurate analysis difficult. It is in this context that we publish this annual report.

This report documents the major trends in reinvestment among 24 of the largest banks in New York City and our recommendations for banks and regulators. We continue to compare the volume of reinvestment activity and relative quality score of additional factors that have an impact beyond the dollar amount.

MAJOR FINDING #1

THE COMMUNITY REINVESTMENT ACT AND ECONOMIC DEVELOPMENT

- The number of CRA small business loans fluctuated slightly in 2012 (up 4%) and 2013 (down less than 1%), while the amount loaned increased 17% each year. On average, about a third of the loans were in LMI tracts where the amount loaned increased by over 30% each year, indicating more money flowing to individual businesses.
- With a few exceptions, the percentage of loans and investments under the economic development category is very small. This underscores both the limitations of the category and the opportunity for more dollars to support quality jobs. **8 of 22 banks reported that none of their community development loans fell under the economic development category. Only 7 reported at or near 25%.** These numbers decrease further when factoring in multifamily community lending. **Additionally, only 2 of 16 banks reported that over 1% of their CRA-qualified investments went for economic development.** Grants were a bit higher, with two banks dedicating a third of dollars to economic development and over half at another three banks.

Economic Development is probably the most misunderstood and challenging category within the Community Reinvestment Act's (CRA) categories of community development. Activities that promote equitable economic development are even less understood. ANHD believes that the CRA should be used to encourage more intentional investments in equitable economic development in New York City.

Equitable economic development goes beyond expanding the tax base and beyond simply creating and preserving jobs. **It is about the jobs being created and the people being served. Equitable economic development is about creating systems and environments that build a stable middle and working-class employment base and a workforce that creates a meaningful path to the middle class. It ensures that these systems and opportunities are intentionally extended to the low- and moderate-income and underserved communities that need them most through targeted strategies for quality job creation, small business development, and workforce development and placement.**

Equitable economic development can encompass multiple sectors and strategies, and be captured by the multiple areas of the CRA:

- **CRA small business loans:** Small loans (loans under $1 million) to businesses, which are then analyzed by business location (percentage in lower-income census tracts), business size (percentage to businesses with revenues below $1 million) and by loan size.
- **Economic development loans and investments (including grants).** These are loans and investments that were not reported as CRA small business loans and that meet a "size" test by financing small businesses and a "purpose" test by supporting **permanent job creation, retention, and/or improvement for LMI people and geographies.**
- **Neighborhood revitalization & stabilization or community services:** Neighborhood revitalization & stabilization are defined as attracting and retaining businesses in or near LMI geographies, while community services provide assistance targeted towards LMI people. Both could include workforce development programs; larger projects that do not finance small businesses; or technical support for small business owners.

Equitable economic development can encompass multiple sectors and strategies. However, not all jobs are equal and not all projects that create jobs are creating employment for people who most need it. Under the CRA, a loan or investment that creates minimum wage jobs would qualify for credit, as would a loan that brings jobs to a lower-income census tract, regardless of whether those jobs are open and accessible to people who are unemployed or working in low-wage jobs. ANHD believes that the CRA should do more to encourage banks to invest in efforts that create quality jobs, particularly jobs that pay above a minimum wage and that offer a path to the middle class.

This survey highlights the challenges with the category and the opportunity for more dollars to support quality jobs. As noted above, with just a few exceptions, the percentage of loans and investments under the economic development category is very small.

ANHD believes that the, regardless of the category used – economic development, revitalization, or community services – the CRA should be more intentional in how it measures and incentivizes activities that support equitable economic development, so as to create and retain quality jobs and infrastructure to support those businesses and workers.

MAJOR FINDING #2

OVERALL REINVESTMENT VOLUME INDEX AND QUALITY SCORE

- **2012: Overall reinvestment increased 36% to $9.9 billion.** Community Development Reinvestment increased 50% and Core Consumer & Commercial Lending Reinvestment increased 23%. $9.9 billion equals **1.23% of the total locally held deposits.** The average reinvestment index among all 24 banks was 4.76% and the median 1.54%. Seven banks exceeded 5% of local deposits.
- **2013: Overall reinvestment increased 12.7% in 2013 to $11.2 bilion.** Community Development Reinvestment increased 16.5% and Core Consumer & Commercial Lending Reinvestment increased 8%. **$11.2 billion equals 1.29% of the total locally held deposits.** The average reinvestment index among all 24 banks increased to 5.25% and the median to 2.01%. Seven banks exceeded 5% of local deposits.
- Nine banks received a **quality score** above 3 in 2012 and 11 banks in 2013.

ANHD continues to use and refine its more nuanced version of the reinvestment index as a comprehensive tool to measure and compare both the volume and quality of each bank's reinvestment activities. These are reflected in an overall reinvestment volume index and a quality score.

Overall Reinvestment VOLUME Index: To evaluate the volume of a bank's reinvestment activity, ANHD created an Overall Reinvestment Volume Index, which is the sum of two separate indexes: a Community Development Reinvestment Index and a Core Consumer and Commercial Lending Index. Each index compares the banks' reinvestment dollars loaned and invested to their locally held deposit base.

Overall Reinvestment QUALITY SCORE: For each factor, we determine the median value among banks of similar sizes: retail banks over $50 billion in assets; retail banks smaller than $50 billion, and wholesale banks. Banks with values of the median +/- 20% get a score of 3, banks below that get a 1 and banks above it get a 5. Banks that do not provide data get a 0. Wholesale banks are scored on a smaller set of data. The Overall Reinvestment Quality Score is the average of three separate scores: Community Development Score, Core Consumer and Commercial Lending Score, and Service Score – they are described in detail in the reinvestment volume index and quality score section of the report.

MAJOR FINDING #3

WHERE THE CITY DOES BUSINESS WITH BANKS AND FINANCIAL INSTITUTIONS

- In Fiscal Year 2013, New York City had $72.8 billion in revenue, $85.2 billion in expenses, and over $12 billion in new bond issuances. The city spent $8.4 bilion each year in capital expenses as well. In 2013, the five pension funds managed by the City paid out benefits totaling $12 billion and ended the fiscal year with $137.4 billion in assets, up from $123 billion a year earlier. All of this money sits in or flows to and through financial institutions

TABLE 1

OVERALL REINVESTMENT VOLUME INDEX
Measures volume of reinvestment loans and investments to locally held deposits

2012					2013				
Bank	**Reinvest-ment**	**% Chg $'s 2011-12**	**Overall Reinv. Index**	**% Chg Index 2011-12**	**Bank**	**Reinvest-ment**	**% Chg $'s 2012-13**	**Overall Reinv. Index**	**% Chg Index 2012-13**
Largest Banks (Greater than $50 B assets)									
M&T Bank	$274	↑ 195%	11.20%	↑ 177%	M&T Bank	$293	↑ 7%	11%	↓ -2%
Wells Fargo	$635	↑ 93%	5.23%	↑ 74%	Wells Fargo	$1,181	↑ 86%	8.91%	↑ 70%
Capital One	$1,022	↑ 83%	4.61%	↑ 62%	Capital One	$696	↓ -32%	3.04%	↓ -34%
Citibank	$1,001	↓ -9%	1.96%	↓ -17%	Citibank	$1,319	↑ 32%	2.35%	↑ 20%
TD Bank	$195	↑ 34%	1.60%	↑ 22%	Bank of America	$378	↑ 38%	0.80%	↑ 38%
HSBC	$518	↑ 96%	1.01%	↑ 82%	HSBC	$389	↓ -25%	0.73%	↓ -28%
Bank of Amer.	$275	↑ 5%	0.58%	↑ 16%	TD Bank	$78.82	↓ -60%	0.59%	↓ -63%
Santander	$31.34	↓ -27%	0.41%	↓ -30%	Santander	$37.69	↑ 20%	0.46%	↑ 13%
Chase	$1,045	↑ 55%	0.29%	↑ 38%	Chase	$1,270	↑ 22%	0.33%	↑ 13%
Smaller Banks (Fewer than $50 B Assets)									
NY Community	$1,888	↓ -9%	36%	↓ -12%	NY Community	$2,945	↑ 56%	50.8%	↑ 41%
Dime	$198	↑ 52%	10.8%	↑ 56%	Carver	$46.14	↑ 34%	9.37%	↑ 42%
Astoria	$404	↑ 350%	10.6%	↑ 371%	Signature	$1,030	↑ 13%	9.03%	↓ -4%
Signature	$910	↑ 36%	9.43%	↑ 13%	Dime	$126	↓ -36%	6.38%	↓ -41%
Carver	$34.36	↑ 22%	6.59%	↑ 19%	Astoria	$204	↓ -49%	5.56%	↓ -48%
Popular Comm.	$103	↑ 135%	3.92%	↑ 155%	Ridgewood	$109	↑ 231%	3.98%	↑ 214%
Flushing*	$31.74	↑ 68%	2.75%	↑ 73%	Valley National	$61.64	↑ 202%	3.85%	↑ 202%
Apple	$64.31	↑ 29%	1.47%	↑ 20%	Flushing*	$32.46	↓ -8%	2.68%	↓ -3%
Ridgewood	$32.91	↓ -44%	1.28%	↓ -44%	Popular Comm.	$64.16	↓ -38%	2.56%	↓ -35%
Valley National	$20.38	↓ -35%	1.27%	↓ -31%	Apple	$114	↑ 77%	1.68%	↑ 14%
Emigrant	$10.05	↓ -13%	0.31%	↓ -18%	Emigrant	$10.92	↑ 9%	1.28%	↑ 310%
Wholesale									
Morgan Stan.**	$150	↓ -23%	1.42%	↓ -57%	Morgan Stanley	$123	↓ -18%	0.89%	↓ -37%
Deutsche Bank	$149	↑ 286%	0.64%	↑ 220%	Deutsche Bank	$172	↑ 16%	0.57%	↓ -11%
Goldman Sachs	$308	↑ 40%	0.57%	↓ -7%	Goldman Sachs	$257	↓ -17%	0.39%	↓ -31%
BNY Mellon	$643	↑ 285%	0.55%	↑ 248%	BNY Mellon	$261	↓ -59%	0.22%	↓ -60%

* Using Multifamily loans in LMI tracts as a proxy for community development loans – bank didn't provide that data

** This report evaluates the CRA activities of Morgan Stanley Private Bank, which is assessed by their regulators in an assessment area that includes NYC. This bank is evaluated akin to the other wholesale banks via a strategic plan. Morgan Stanley also has a larger wholesale bank that is evaluated by their regulators in Utah. This larger bank had $66 billion in deposits as of June 2013.

TABLE 2

OVERALL REINVESTMENT QUALITY SCORE
Measures how loans, investments, and services reach lower-income residents and neighborhoods

2012		2013		2012		2013	
Largest Banks				**Smaller Banks**			
Capital One	3.72	Capital One	3.64	Popular Comm.	4.28	Popular Comm.	4.33
Bank of America	3.52	Chase	3.37	NY Community	3.21	Carver	3.89
TD Bank	3.27	M&T	3.33	Ridgewood	2.97	NY Community	3.23
Citibank	3.17	Bank of America	3.32	Carver	2.83	Apple	3.02
Chase	3.13	HSBC	2.78	Apple	2.78	Ridgewood	2.89
M&T	2.80	Citibank	2.72	Dime	2.69	Signature	2.50
HSBC	2.61	TD Bank	2.58	Signature	2.35	Dime	2.30
Wells Fargo	2.26	Wells Fargo	2.34	Astoria	2.27	Astoria	2.26
Santander	2.22	Santander	2.27	Emigrant	2.01	Valley National	2.08
Wholesale				Flushing	2.00	Emigrant	1.50
Deutsche Bank	3.77	Deutsche Bank	3.59	Valley National	1.99	Flushing	1.37
Morgan Stanley	3.19	Morgan Stanley	3.19				
Goldman Sachs	2.73	Goldman Sachs	3.14				
BNY Mellon	1.40	BNY Mellon	1.50				

- The majority of City business that is covered by the Responsible Banking Act (RBA) – holding city deposits and providing banking services – is given to the"Big Four"banks (Chase, Citibank, Wells Fargo, and Bank of America) and Boston-based State Street Bank & Trust. Citibank holds the central treasury account; Bank of America and Wells Fargo have the largest lockbox accounts, Chase holds the payroll account; and Citibank, Chase, and Bank of America process much of the city's credit card transactions. State Street manages the short-term investment of City treasury funds. Signature and Flushing each have long-term deposit accounts as well.
- Banking business outside of the RBA: Holding and managing city deposits is only a small piece of bank activity with NYC. Some of the largest banks, including the Big Four plus State Street, Morgan Stanley, Goldman Sachs, and Bank of NY Mellon do considerable business related to pensions, asset management, bonds, and other contractual services.

The New York City Responsible Banking Act of 2012 requires banks seeking to hold City deposits to report their reinvestment activities and plans to better meet the credit needs of low- and moderate-income New Yorkers. The City should do more business with institutions that are committed to targeted, strategic reinvestment in the diverse neighborhoods of the City.

Twenty-five banks are designated as eligible to hold city deposits, but the majority of banking is done with the Big Four banks and Boston-based State Street. For at least the past four years, the City has also maintained two interest-bearing accounts at Flushing and Signature. Excluding BDD's, the City average balances totaling $512 million in FY 2012; $277 million in FY 2013; and $216.86 million in FY 2014. These numbers represent just a fraction of the City's budget – most of the money is not sitting in the accounts at all, but rather is flowing in and out to keep the City running.

But holding City deposits is only a small part of the business dealings with financial institutions. Banks also manage City and pension assets and finance bond transactions through underwriting, letters of credit, liquidity, reissuing and remarketing bonds, and advisory services. Large banks such as Goldman Sachs, Morgan Stanley, Bank of NY Mellon, and TD Bank hold few or no city deposits, but are integral to the financial management of the City through these other types of services not covered by the Responsible Banking Act. In addition to these activities, the Bank of New York Mellon and State Street Bank & Trust are particularly integral to the management of New York City. The Bank of NY Mellon is the transfer and paying agent for New York City bonds. State Street manages the short-term investment of City treasury funds and is now the custodial agent for the City's pension system. State Street also manages the short-term investment of the city's daily average of roughly $6 billion in cash, which is only transferred to the City treasury when needed for day-to-day operations. Yet, because State Street is a Boston-based wholesale bank, it has no CRA obligation to NYC at all.

ANHD believes that New York City should use its economic leverage to ensure that banks seeking city business are truly committed to benefiting our city with specific policies of reinvestment. The City should do more business with financial institutions that have a clear plan and track record of meeting the service and credit needs of our diverse neighborhoods, and less business with those that do not. New York City's Responsible Banking Act puts this into practice by requiring banks seeking to hold City deposits to outline their track record and plans to help meet local credit needs and creating a system for the public to comment on community needs and how banks are responding.

Trends in Reinvestment in New York City:

The report gives a detailed analysis of bank deposits, branching, staffing, and reinvestment activities in New York City, including community development lending, CRA-qualified investments, CRA-eligible grants, and lending for

1-4 family homes, multifamily buildings, and small businesses. Locally held deposits increased 13% in 2012 and 8% in 2013, reaching $870 billion. The overall trend is positive in that both deposits and reinvestment increased in 2012 and 2013. However, in each year, six banks increased deposits, yet decreased their reinvestment dollars.

Multifamily Lending:

- The multifamily market remains strong – increasing in 2012 and 2013. In 2012, the dollar amount loaned in LMI tracts decreased, but in 2013, lending increased in both categories at about the same rate. The number and dollar of multifamily loans qualifying for community development increased in each year.
- While signs of physical and financial distress remain low, the rising rents and sales prices citywide, including in historically more affordable neighborhoods, are troubling and suggest that lower-income tenants everywhere will face even more pressure and probable harassment and displacement.

TABLE 3

HIGHEST PERCENTAGES OF MULTIFAMILY COMMUNITY DEVELOPMENT (CD) LOANS

2012 Multifamily CD Loans						2013 Multifamily CD Loans				
	# MF CD loans	$ MF CD loans	% CD (#)	% CD ($)			# MF CD loans	$ MF CD loans	% CD (#)	% CD ($)
Largest Banks										
TD Bank	8	$29.92	72.7%	89.4%		Wells Fargo	6	$68.42	20%	10.5%
Capital One	94	$460.21	24.4%	53.4%		M&T	13	$84.07	18.6%	9.6%
M&T	13	$88.38	16.3%	9.1%		Capital One	52	$359.78	13.9%	31.7%
Citibank	1	$11.26	11.1%	32.2%		Bank of America	7	$74.71	4.2%	69.5%
						Citibank	1	$0.84	8.3%	11.1%
Smaller Banks										
Carver	5	$9.12	71.4%	87.1%		Apple Bank	38	$87.16	57.6%	20.6%
Popular Comm.	19	$42.49	59.4%	80.8%		Popular Comm.	8	$23.53	47.1%	49.5%
Apple Bank	24	$30.33	52.2%	24.9%		NY Community	530	$2440.91	46.5%	40.8%
NY Community	363	$1476.30	48.9%	46.1%		Ridgewood	52	$96.59	41.9%	34.9%
Signature	243	$548.18	39.9%	27.4%		Signature	261	$632.32	37.3%	21.3%

Branches:

- The total number of branches remains relatively stable across the City, but the distribution remains inequitable, with core Manhattan inundated with branches, while lower-income neighborhoods in the Bronx, Brooklyn, and Queens still lack sufficient branches and ATMs.

- Some of the largest banks are improving their overdraft policies with better disclosures and fewer ways to overdraft. However, basic overdraft fees remain close to $35 at most banks, with many also charging monthly maintenance fees that can be difficult to avoid. We are seeing a positive new trend towards "checkless checking accounts" and products that do not allow for overdrafts; while they still charge $5 - $10 monthly fees, they are much more transparent and customers are less likely to be surprised by other fees.

Community Development Staff:

- Community Development staff increased slightly in 2012 and 2013.
- The average percentage of community development staff remained steady at about 70%, with the median percentage slightly higher

Community Development Lending & Investments:

- **Community development lending and investments** increased in 2012 and again in 2013. The number of investments dipped in 2012, but rose again in 2013.
- **Lending to nonprofits fluctuated**, with the amount loaned down slightly in 2012 and up again much more in 2013, while the number of loans increased in 2012 and decreased again in 2013. **Investments with nonprofits** fluctuated In a similar manner, but the percentages overall are lower. Lending to **neighborhood-based CDC's** remains very low.

TABLE 4

HIGHEST PERCENTAGES OF BRANCHES IN LOW- AND MODERATE-INCOME (LMI) CENSUS TRACTS

2012	# LMI	% LMI	2013	# LMI	% LMI
Largest Banks					
Bank of America	40	35.7%	Bank of America	40	35.1%
Chase	109	28.4%	Chase	108	28.5%
HSBC	29	27.4%	HSBC	28	27.5%
Smaller Banks					
Popular Comm.	20	62.5%	Popular Comm.	20	62.5%
Carver	6	60.0%	Carver	5	50.0%
Apple Bank	18	52.9%	Apple Bank	23	44.2%

TABLE 5

HIGHEST PERCENTAGES OF BRANCHES IN LOW- INCOME (LI) CENSUS TRACTS

2012	# LI	% LI	2013	# LI	% LI
Largest Banks					
Bank of America	12	10.7%	Bank of America	12	10.5%
HSBC	9	8.45%	HSBC	9	8.8%
Chase	31	8.1%	Chase	31	8.1%
Smaller Banks					
Popular Comm.	8	25%	Popular Comm.	8	25%
Flushing	3	20%	Flushing	3	20%
Emigrant	4	19%	Apple Bank	9	17.3%

TABLE 6

HIGHEST PERCENTAGES OF COMMUNITY DEVELOPMENT LENDING TO NON-PROFITS (MILLIONS)

2012					2013				
	# to non-profits	$ to non-profits	% to non-profits (#)	% to non-profits ($)		# to non-profits	$ to non-profits	% to non-profits (#)	% to non-profits ($)
Largest Banks									
TD Bank	19	$58.13	82.6%	79.7%	Chase	33	$233	68.8%	50.1%
Wells Fargo	1	$5.00	50.0%	72.0%	Santander	2	$3.05	50%	45.2%
Bank of Amer.	42	$66.40	42.9%	64.6%	Wells Fargo	6	$165.74	27.3%	43.1%
Chase	44	$203.00	74.6%	57.2%	Citibank	23	$51.49	69.7%	6.5%
HSBC	33	$80.00	94.3%	48.4%					
Smaller Banks									
Astoria	4	$5.50	100%	100%	Astoria	11	$11.6	100%	100%
Dime	1	$0.25	100%	100%	Dime	1	$0.25	100%	100%
Ridgewood	1	$0.75	50%	75%	Carver	6	$9.99	14.63%	35.41%
					Ridgewood	1	$0.25	50%	14.29%
Wholesale									
Morgan Stanley	12	$96.99	75%	95%	Morgan Stanley	11	$95.41	78.6%	94.8%
Deutsche Bank	26	$52.30	92.9%	84.5%	Goldman Sachs	2	$74.55	18.18%	46.5%
Goldman Sachs	1	$9.60	6.7%	4.8%	Deutsche Bank	18	$19.78	81.82%	15.7%
BNY Mellon		$12.50		3%	BNY Mellon		$11.92		7.7%

CRA-eligible Grants / Philanthropy:

- The amount given in grants decreased slightly by 1.5% in 2012, while the number of grants increased 9%. In 2013, grant-making was fairly flat, with the amount given down 3%, and the number of grants up 2%.
- The amount of grant dollars going directly to neighborhood-based organizations decreased considerably – down 35% in 2012 and another 8% in 2013.

TABLE 7

HIGHEST PERCENTAGES OF LOCAL DEPOSITS TO CRA-ELIGIBLE GRANTS IN NYC

2012				2013			
	Grants (#)	Grants ($)	% to Deposits		Grants (#)	Grants ($)	% to Deposits
Largest Banks							
Capital One	285	$7.12	0.032%	Capital One	267	$7.27	0.032%
M&T Bank	124	$.77	0.031%	M&T Bank	125	$.72	0.027%
Citibank	154	$9.97	0.019%	Citibank	137	$9.69	0.017%
Smaller Banks							
NY Community	168	$1.07	0.020%	Carver	15	$0.38	0.076%
Ridgewood	115	$0.17	0.007%	NY Community	221	$1.40	0.024%
Popular Community	36	$0.17	0.006%	Popular Comm.	40	$0.34	0.014%
Wholesale							
Morgan Stanley		$7.83	0.074%	Morgan Stanley		$7.54	0.055%
Goldman Sachs	73	$22.74	0.042%	Goldman Sachs	108	$20.62	0.032%
Deutsche Bank	125	$5.10	0.022%	Deutsche Bank	150	$5.26	0.017%

1-4 Family Lending:

- In 2013, the total number of loans **to purchase 1-4 family homes** increased by 9.6%, **but only by 3.5% to lower-income borrowers.** In 2012, the number of loans overall declined by 2.4% overall and by nearly four times that (down 8.3%) to lower-income borrowers. Reflective of trends nationwide due to historically low interest rates, **refinance lending** increased by about 20% in 2012, and decreased again in 2013.
- The foreclosure crisis is far from over. According to the Federal Reserve Bank of NY, as of December 2013, over 11% of homes in some neighborhoods of Queens, the Bronx, and Brooklyn are in foreclosure.

TABLE 8

HIGHEST PERCENTAGES OF HOME PURCHASE LOANS TO LMI BORROWERS IN NYC*

2012				2013			
	All (#)	LMI (#)	% LMI		All (#)	LMI (#)	% LMI
Largest Banks							
M&T Bank	321	100	31.2%	M&T Bank	345	135	39.1%
Capital One	144	31	21.5%	Capital One	113	27	23.9%
Chase	2739	355	13%	Santander	462	60	13%
Smaller than $50B							
Emigrant	63	8	12.7%	Emigrant	53	7	13.2%
NY Community	69	4	5.8%	NY Community	82	8	9.8%
Astoria	175	7	4%	Astoria	158	8	5.1%
* For banks that originated over 25 1-4 family, owner-occupied home loans							

RECOMMENDATIONS

1. Commit to a high quantity and high quality of reinvestment.

- **All banks should commit to reinvesting 5% or more of local deposits dedicated to the full range of targeted, strategic reinvestment lending and investments that specifically benefit low- and moderate-income communities.** Banks that already invest close to or over 5% of their deposits should strive to reach or exceed that goal in a responsible manner. Banks well below the 5% mark should take incremental steps and build up the infrastructure (staff and resources) to support deals, large and small, that target the unique community development needs of New York City communities

- **Banks should strive for a quality score above 3, indicating they beat their peers in more areas than the lagged with regards to the percentage of activities that have the biggest impact.** This would represent a commitment to fair lending and to factors that have an impact beyond simply the dollar amount.

2. The City and banks should fully implement and engage in all aspects of the New York City Responsible Banking Act.

- The City should swiftly implement the Responsible Banking Act, so that the CIAB can gather data, hold the required hearings, and issue recommendations prior to the banking commission's next decision on banks eligible to hold city deposits.

- The City should embrace the principles of the RBA in all banking decisions and channel its business to banks and financial institutions that have clear plans and track records of meeting the service, credit, and reinvestment needs in communities across the City.

- Banks should fully participate in the process through their banking industry representative on the Board and by responding in a complete and timely manner to data requests. We also encourage all banks to continue engaging with ANHD and member institutions to foster a collaborative environment in which we can work together to increase levels of reinvestment in our city and give all New Yorkers the opportunity to thrive in this vibrant, diverse city.

3. Commit to responsible multifamily lending and hold banks accountable for irresponsible lending.

- Regulators must look at the **quantity and quality of all multifamily lending,** and especially loans on private rent-regulated housing for which banks seek CRA credit. They should regularly consult with organized tenants and community organizations as a key source of information to ensure that these loans are in fact providing affordable housing and stabilizing neighborhoods, and not causing harm.

- ANHD has long emphasized that banks must **engage in responsible multifamily lending** by making loans to responsible landlords and underwriting these loans based on realistic income and expense projections.

- However, there will always be bad landlords and, despite the improvement, banks still lend to them. And even with the best of intentions, some loans will go bad, especially for banks that do high volumes of lending. All banks with a multifamily portfolio should participate in the **First Look program developed by ANHD, HPD and the New York City Council** to responsibly transfer distressed properties to responsible preservation-minded developers.

4. Basic banking and branches: Make basic banking available to all New York City residents.

- **Branches** are an important point of entry for low- and moderate-income people, immigrants, and seniors to open and access accounts and other financial services and loans. Banks need to open and operate branches in underserved low- and moderate-income neighborhoods

- **Every bank should offer a safe, affordable bank account** targeted towards low- and moderate-income people. These accounts would offer low fees and minimum balance requirements, no overdrafts accept, alternate forms of ID, and be available to people with prior banking issues. The account should be widely advertised, promoted, and actually used by underserved populations. **All banks should accept the new NYC Municipal ID**.

- **Banks should also be competing to meet the needs of lower-income and immigrant communities** through partnerships with nonprofits and the City, language and cultural competency, variable hours, financial products such as small dollar loans, credit builder products, remittances, and home and small business loans.

5. Hire and empower a quality community development team focused on NYC.

- The most effective reinvestment programs start with strong leadership. Banks should have community development teams located in or near New York City that are knowledgeable about, engaged in, and committed to the banks' CRA programs.
- Banks should empower local staff with resources and authority to fully engage in and support the wide range of community development activities.

6. Increase community development lending & investments and direct substantial amounts to locally based CDCs and community organizations.

- Banks should continue to **increase community development loans and investments. They should also direct resources to nonprofit and community based organizations** that are locally rooted and committed to permanent affordability and long-term improvements in their communities.
- Banks should **support the smaller and most effective nonprofit developers** with targeted affordable products to build and preserve affordable housing and create quality jobs. This includes the following (see community development lending section for more details):
    - **Acquisition and predevelopment costs.** Capital, equity, and low-cost lines of credit; grants; "soft loans;" and low-cost lines of credit to acquire land and cover myriad other predevelopment costs.
    - **Smaller loans and smaller deals.** Often, smaller properties with fewer than 50 units are what neighborhood-based CDCs have access to, especially when competing with larger for-profit developers. They need affordable capital to take advantage of all opportunities to build and preserve affordable housing.
    - **Appropriate risk assessment.** Nonprofit CDC developers often get charged additional fees and receive less desirable loan terms because they are seen as riskier than more-resourced for-profit developers. Banks should reconsider their assessment to support proven high-capacity nonprofits.
- **Banks and regulators must look at the overall impact of the activity** with respect to the quality of jobs created, the quality of housing, and the sustainability of the impact over time. They must ensure that the loan meets the needs of local communities and does not cause harm.

7. Increase CRA activity to promote equitable economic development.

Equitable economic development goes beyond expanding the tax base and beyond counting jobs. It is about creating the systems and environments to create a stable middle and working-class employment base and workforce that creates a meaningful path to the middle class.

This is a summary of recommendations (see the economic development section for more details).

- **Banks** should dedicate more money and resources to equitable economic development, including but not limited to: financing space for manufacturing; loans to small businesses in LMI tracts and owned by LMI

people, women, and minorities; loans that support projects to create, retain and preserve quality jobs; grants and technical assistance to organizations that support small businesses; targeted workforce development; commercial revitalization.

- **Regulators** should elevate the importance of this category and emphasize outcomes during the exam to ensure more resources are going to the people and businesses that need them most and are creating opportunities for economic mobility.

8. Support low- and moderate-income home buyers and homeowners through direct loans, quality products, and responsible foreclosure prevention and response.

- Create products and dedicate staff specifically for lower-income borrowers with low downpayment requirements; reasonable credit assessments that allow for alternative forms of credit; down payment assistance; and connection to homebuyer counseling. Affirmatively market these products to targeted communities and organizations serving those communities.
- Prevent and responsibly deal with foreclosed homes: Grant more trial and permanent modifications; maintain in good condition homes taken by foreclosure; reduce the delays for homeowners due to lost paperwork, staff changes, timely responses.

9. Increase targeted CRA-eligible grantmaking and ensure that a significant portion goes to neighborhood-based community organizations.

- Nonprofits rely upon grants in good times and bad, and thus banks should make an effort to sustain or increase grant-making each year, regardless of deposits or profits.
- Implement high-performing, strategic philanthropic programs that work closely with the nonprofit sector, are accessible through an RFP, and have intentional goals. Grants to neighborhood-based organizations that provide general operating support and support affordable housing and equitable economic development are particularly impactful.

INTRODUCTION

This is the fifth edition of the State of Bank Reinvestment in New York City report from the Association for Neighborhood and Housing Development (ANHD). ANHD produces this report each year to help communities, legislators, and regulators understand the impact of the Community Reinvestment Act (CRA) at a local level. The CRA was passed in 1977 and states that banks have a continuing and affirmative obligation to help meet the credit needs of the low- and moderate-income neighborhoods in which they do business, consistent with safe and sound business practices. Thus, if a bank takes deposits or does business in a neighborhood, it must provide all of its services equitably.

Following years of urban disinvestment and abandonment in New York City and nationwide, ANHD was part of the social movement in the 1970's that led to the passage of the CRA and we have seen its enormous benefits. In the past 25 years, over 300,000 units of affordable housing have been built across the five boroughs using a mix of government subsidies that leveraged private bank investments that were brought to the table as a direct result of the CRA. More recently, CRA dollars have also fostered equitable economic development, although as described later, this area has not received as much focus on the part of banks or regulators. For this reason, ANHD has a deep appreciation of effective bank reinvestment and government policies that hold banks accountable to helping meet the needs of our at-risk communities. At the same time, we believe that additional regulatory changes and continued public engagement would make the law even more impactful.

Long before banks were ever considered "too big to fail," they were understood to be too important to fail. The social compact between banks and the government – enshrined by the bank reforms that followed the Great Depression – is that the lending, investments, and services that banks provide are crucial to the health of our communities and our economy. Because of this, banks receive significant taxpayer-backed public benefits, including access to credit from the Federal Reserve discount window and the deposit insurance from the Federal Deposit Insurance Corporation (FDIC). And, as we learned from the most recent financial crisis, banks also benefit from a federal safety net whereby the Federal Reserve and Treasury Department can provide emergency financing to banks in times of crisis. In fact, researchers at the FDIC found that this implicit government backing gives the largest banks a financial advantage over smaller banks in attracting deposits, which are the largest source of funds for banks. The report found that the largest banks – the "Too Big to Fail" institutions that benefited from this safety net in 2007 and 2008 – receive a significant discount on risky deposits relative to smaller banks[1]. This means that because of this implicit government backing, they can pay out lower interest rates on large dollar deposits, giving them cheaper access to these funds. These benefits must come with the understanding that banks will provide their services equitably in the communities in which they operate.

During the 1960's and 1970's, however, this social compact broke down dramatically as banks withdrew from low-income and minority neighborhoods. And, where banks still had a presence, they refused to make loans to people in those neighborhoods – a practice known as redlining – and reduced investment in urban neighborhoods. One only need to look at photos of the "Burning Bronx" in the 1970's to see what disinvestment looks like and to understand that readily available, sound lending is critical to a healthy housing market and community. While signs of disinvestment certainly persist today, another threat is overinvestment that leaves behind lower-income New Yorkers who can no longer afford to live in the City due to rising rents and a lack of good-paying jobs.

[1]Jacewtz, W., Pogach, J. (2014), FDIC Working paper: Deposit Rate Advantages at the Largest Banks, retrieved from: https://www.fdic.gov/bank/analytical/CFR/2014/wp2014/WP_2014_02.pdf

In response to these harmful discriminatory practices, Congress passed a number of new laws to regulate banking practices and hold banks accountable. The Fair Housing Act of 1968 made discrimination in lending illegal and the Home Mortgage Disclosure Act (HMDA) of 1975 gave the community and regulators new tools to better monitor bank lending practices and enforce anti-discrimination laws. The CRA was passed in 1977 to ensure that banks provide credit and deposit services equitably to the communities in which they do business, including LMI communities. It has also created the expectation that banks provide an adequate number of community development loans, investments, and services to further these goals beyond their core lending and branch services. **The fundamental principle of the CRA is that all communities rely on banking services and those services must be provided in an equitable manner.** Banks are required to be more than just profit-seeking businesses. They must incorporate significant community benefits into their business models, and work to meet local credit and service needs.

The banking world has changed since 1977, and changed most rapidly since the erosion and eventual repeal of the Glass-Steagall Act nearly two decades ago. The banking industry has since undergone massive consolidation, and is increasingly dominated by multi-regional, national, and international institutions. This has challenged the clear premise of the CRA that banks are required to help meet the credit needs of the local communities in which they do business. Simply put, the CRA requires banks to act locally, but report regionally, which makes accurate analysis difficult. Banks are typically evaluated by CRA regulators at the Metropolitan District (MD) level or the Metropolitan Statistical Area (MSA) level and often in multiple areas. New York City is in the White-Plains-NY-NJ MD, which is in the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA; the MSA covers 24 counties in three states, from Ulster and Dutchess counties in upstate New York, down to Monmouth and Ocean Counties in New Jersey. Some banks also get credit for reinvestment at the regional, state, and national level even if they have no direct impact on their assessment area. All banks get CRA credit for loans, investments, and services in their total assessment area and these are rarely broken down by year or by county.

ANHD believes that reinvestment is most effective if the bank has a clear understanding of the local issues and needs of the community and how the bank's reinvestment activity will address them. New York City neighborhoods differ county by county and even block by block. Studies like ANHD's enable us to analyze how banks operating in New York City approach their CRA obligations here. Also, CRA evaluations span multi-year periods, with less frequent exams for small banks. It is important for bank regulators, legislators, community organizations and residents to understand exactly where and how their federally-insured deposits and assets are being reinvested in their community every year. It is in this context that we publish this annual report to examine reinvestment activity in New York City.

ANHD believes that bank reinvestment-related activity – lending, investments and services directed towards low- and moderate-income residents and neighborhoods – should be substantial, and in proportion to each bank's locally-held deposit base. We compare all banks to one another broadly and to their peers as the largest retail banks (over $50 billion in assets), smaller retail banks (fewer than $50 billion in assets) and wholesale banks. For purposes of the CRA, low-income is defined as 50% Area Median Income (AMI) and moderate-income as 80% AMI as defined by the Federal Department of Housing and Urban Development (HUD). The AMI for New York City is based on the incomes of the City combined with wealthier suburban counties. By this definition, the AMI was $68,300 in 2012, setting low-income at $34,150 and moderate-income at $54,640. In 2013, that drops slightly to $66,000 ($33,000 low-income and $52,800 moderate-income). Also, for purposes of affordable housing programs, the federal government adjusts the AMI upward to account for the high cost of living. With these adjustments, the AMI for New York City has historically been 70%-80% of the HUD AMI, putting it close to the moderate-income definition. And of course, the actual incomes vary greatly from neighborhood to neighborhood.

ANHD looks at the broad spectrum of reinvestment activity. We consider community development reinvestment activities, which are community development loans, CRA-qualified investments and CRA-eligible grants to build and rehabilitate affordable housing, create jobs, and revitalize neighborhoods. We also look at "core CRA lending data" for 1-4 family home purchase and refinance loans to low- and moderate-income borrowers as well as multifamily community development loans and multifamily and small business loans in low- and moderate-income census tracts. This report analyzes year-to-year performance of these activities, as well as deposits, staffing, and branching.

As always, we stress that quality matters as much as quantity. Thus, rather than one overall ranking, we continue to use the more nuanced version of the reinvestment index developed last year and refined this year to assess the banks' volume of reinvestment dollars loaned and invested and compare the quality of that lending based on factors we believe indicate a strong commitment to local communities.

This report contains a few significant differences over previous years:

- First, in an effort to present the most recent data, the report covers calendar years 2012 and 2013 in the same report. The report continues to use public data wherever possible and bank-reported data where that is not possible.

- Bank categories: The distinction between commercial and savings banks have blurred over the years, such that they are not as meaningful a comparison of peer institutions as they once were. This year we compare banks in these three categories: retail banks with more than $50 Billion in assets, retail banks with fewer than $50 Billion in assets; and wholesale banks.

- Scoring: Multifamily community development loans are now factored into the reinvestment volume and quality indexes. The dollar amount replaces multifamily loans in low- and moderate-income census tracts in the reinvestment volume indexes. They are also an additional factor in the quality index. While neither is perfect, the community development loans indicate the bank has made some analysis as to how the housing benefits lower-income people and neighborhoods, most likely because the rents were affordable at the time of origination. Additional regulatory scrutiny, coupled with grassroots organizing, will help ensure that these loans actually benefit and stabilize neighborhoods and do not lead to a loss of affordable housing. The community responsive ness score is now included in the community development quality score for retail banks; it remains in the service score for wholesale banks. We also added a banking score to assess how accessible basic bank accounts are to lower-income New Yorkers.

- Analysis of economic development under the CRA. ANHD has long focused on CRA activities that support affordable housing and continues to place a high value on building and preserving subsidized and private affordable housing, including rent-regulated housing. At the same time, no housing is affordable without a job. The CRA has been very effective at leveraging private investment in affordable housing, but has not been as effective in leveraging dollars for equitable economic development. For the first time, our survey requested the breakdown of community development activities that were submitted for CRA credit under the economic development category. This data is not used in the rankings, but gives us new insight into how the category is currently being used. We believe this will help all stakeholders - advocates, practitioners, banks and regulators – identify ways to strengthen this category and make it more effective in generating quality jobs for New Yorkers.

The report discusses all major findings in depth as well as a detailed analysis of each area of reinvestment. All our data is summarized in Appendix A and expanded upon throughout the report.

SUMMARY OF METHODOLOGY

Since 2008, ANHD has submitted detailed annual requests to New York City's largest banks to better understand how well they are serving our communities through lending, investment, and services. These requests are necessary because much of information related to a bank's CRA activities is not publicly available. Simply put, the CRA requires banks to act locally, but report regionally, and this makes accurate analysis difficult. ANHD hopes that this report adds to our collective understanding of how the CRA can be implemented with the greatest impact.

The report includes both year-to-year comparisons and analysis of the current year's data. In order to make fair comparisons, only institutions that provided information in both years (2011-12, 2012-13) were included in trending analysis year to year. For this reason, there is some amount of data that banks provided for 2012 or 2013 that is not used for year-over-year analysis since the same information was not provided in the previous year. Appendix A details all information that we received from each institution.

ANHD uses public data wherever possible. CRA Wiz was used to retrieve 1-4 family HMDA lending, CRA small business lending, and local deposits. In order to match FDIC reporting times, we use deposits and branching as of June 30th, but lending and investments are based on the full calendar year. National / Domestic deposits and Tier 1 capital came from FDIC "Assets & Liabilities" reports. When not provided from the banks, branching data came from the FDIC and multifamily from HMDA. Additional bank account data came from the Pew Charitable Trust overdraft studies and bank websites and printed materials. For most banks, data related to branching, staffing, multifamily lending, community development loans, CRA-qualified investments, and CRA-eligible grants came from the surveys.

While individual indicators are useful in ascertaining a bank's year-over-year record in a certain area over time, ANHD also compares banks to their peers. In previous years, we separated banks by classification: commercial, savings, and wholesale, which historically operated fairly distinctly. Commercial banks focused more on providing financial services to corporations, while savings banks focused more on residential 1-4 family and multifamily buildings mortgages and savings accounts. Today, the lines between commercial and savings banks have blurred and operate quite similarly in many areas. This year, we changed the categories to classify banks by size:

- **Largest banks:** Retail Commercial Banks with more than $50 billion in assets.
- **Smaller banks:** Retail Commercial and Savings Banks with fewer than $50 billion in assets.
- **Wholesale banks**: Commercial banks that are not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect. They provide financial services to other large corporations or governments. For CRA purposes, they are evaluated by more narrowly defined standards.

Overall Reinvestment Volume Index and Quality Score:

Rather than assigning one ranking to each bank, we continue to use a more nuanced version of the reinvestment index as a tool to measure and compare the quantity and quality of each bank's reinvestment activities. We first calculate the ratio of Community Development Reinvestment and Core Consumer and Commercial Lending Reinvestment to each bank's locally held deposits. We then evaluate the relative quality of these loans and investments and also a third category related to service and responsiveness. The calculations and criteria are described in detail in the reinvestment index section of the report and summarized here.

Overall Reinvestment VOLUME Index: When evaluating the volume of a bank's reinvestment activity, we created an *overall reinvestment volume index* that compares the total dollars loaned and invested to their locally held deposit base. This is a combination of two separate reinvestment indexes:

- **Community Development Reinvestment Index:** Community development reinvestment includes loans and investments that finance the construction and rehabilitation of affordable housing; community facilities such as healthcare clinics and community centers; job creation, education, healthcare, and other efforts to revitalize neighborhoods; and grants to support nonprofits that engage in all areas of community development, includ ing building affordable housing and community facilities, running community programs, and advocating for policy change.

  The **Community Development Reinvestment index** is the sum of the community development lending, CRA-qualified investments, and CRA-eligible grants divided by the locally held deposit base.

- **Core Consumer & Commercial Lending Reinvestment** includes 1-4 family home purchase and refinance loans to low- and moderate-income borrowers; multifamily community development loans; and small business loans (loans below $1 million to businesses with revenues below $1 million) in low- and moderate-income census tracts.

The **Core Consumer & Commercial Lending Index** is the total of these main lending activities divided by the locally held deposit base.

Overall Reinvestment QUALITY Score: To measure quality, we compare banks to each other along factors that are likely to have a larger impact than simply the dollar amount. This also enables us to compare a bank's service to lower-income communities where there isn't a dollar amount associated with it. For each factor, we assign a score based on the median value of all banks within their respective classification – larger, smaller, and wholesale. Banks with values of the median +/- 20% get a score of 3, banks below that range get a 1 and banks above it get a 5. Banks that do not provide data get a score of 0 in the category (the 0 is only used once if we compare dollar and number). Wholesale banks do not receive scores related to branching or core consumer and commercial lending.

The overall reinvestment score is the average of three separate scores, described in detail in the reinvestment index section of the report.

- **Service Score** compares branching in low- and moderate-income census tracts, a new banking score, and staffi-ng in NYC (and a measure of community responsiveness/innovativeness for wholesale banks).
- **Community Development Score** compares percentage of activity for affordable housing, loans and investments to nonprofits and loans to locally based CDC's, and the percentage of local deposits towards CRA-eligible grants, (and a measure of community responsiveness/innovativeness for retail banks).
- **Core Consumer & Commercial Lending Score** compares the percentage of loans to and benefiting low- and moderate-income people and in low- and moderate-income census tracts.

For more details, see *Appendix B: Full Methodology* at the end of this report.

PART I

MAJOR FINDING #1

THE COMMUNITY REINVESTMENT ACT & EQUITABLE ECONOMIC DEVELOPMENT

Trends

- The number of CRA small business loans fluctuated slightly in 2012 (up 4%) and 2013 (down less than 1%), while the amount loaned increased 17% each year. On average, about a third of the loans were in LMI tracts where the amount loaned increased by over 30% each year, indicating more money flowing to individual businesses.

- With a few exceptions, the percentage of community development loans and investments under the **economic development category** is very small, highlighting the challenges with the category and the opportunity for activity to support quality jobs. **8 of 22 banks reported that none** of their community development loans fell under the economic development category; **Only 7 reported at or near 25% or more**. These numbers decrease further when factoring in multifamily community development lending. **14 of 16 banks reported that less than 1% of their investments went for economic development.** Grants were a bit higher, with **two banks dedicating about a third of grant dollars to economic development and at or over half at another three banks.**

Recommendations

- **Banks** should dedicate more money and resources to equitable economic development, including but not limited to: financing space for manufacturing; small and large business loans, grants and technical support to small businesses; targeted workforce development; and commercial revitalization.

- **Regulators** should elevate the importance of this category through the performance context and provide more clarity and emphasize on outcomes during the exam to ensure more resources are going to the people and businesses that need them most and are creating opportunities for economic mobility.

Economic Development is probably the most misunderstood and challenging category within the Community Reinvestment Act's (CRA) categories of community development. Activities that further equitable economic development are even less understood. ANHD believes that the CRA should be used to encourage more intentional investments in equitable economic development in New York City.

Equitable economic development is about creating systems and environments that build a stable middle and working-class employment base and workforce that creates a meaningful path to the middle class. It ensures that these systems and opportunities are intentionally extended to the low- and moderate-income and underserved communities that need them most through targeted strategies for quality job creation, small business development, and workforce development and placement.

Equitable economic development can encompass multiple sectors and strategies, and can be captured by the following areas of the CRA:

- **CRA small business loans:** Small loans (loans under $1 million) to businesses, which are then analyzed by business location (percentage in lower-income census tracts), business size (percentage to businesses with revenues below $1 million) and by loan size.

- **Economic development loans, investments, and grants:** loans and investments that were not reported as CRA small business loans and that meet a "size" and "purpose" test. The **Size test** means the activity finances small businesses as defined by the U.S. Small Business Administration (SBA). The **Purpose test** means the activity supports permanent job creation, retention, and/or improvement for people who are currently LMI, or in LMI geographies, or in areas targeted by governments for redevelopment.

- **Neighborhood revitalization & stabilization or community services:** Activities that don't fall under one of the first two categories, but still contribute to economic development and jobs by attracting and retaining businesses, or providing community services targeted towards LMI people. Regarding jobs, they could include workforce development programs; larger projects that do not finance small businesses; technical support for small business owners.

Equitable economic development can encompass multiple sectors and strategies. One specific strategy ANHD has been advocating for is to preserve and create quality jobs in the light manufacturing sector. A fundamental piece of this strategy is to ensure that New York City has adequate space and resources for manufacturing businesses to start-up, develop, grow, and expand. Manufacturing jobs have an average salary of about $52,000 a year, which adds far more wealth to the community than low-wage jobs such as those in the retail sector. Manufacturing jobs also offer employment to people without formal educations or with limited English skills. Industrial spaces developed, managed, and operated by nonprofit organizations are best suited to support businesses that will create the kind of stable, good paying, quality jobs our communities need. Of course, expanding manufacturing is just one strategy to create quality jobs, but all strategies should be encouraged.

However, not all jobs are equal and not all projects that create jobs are creating jobs for people who most need them. Under the CRA, a loan or investment that creates minimum wage jobs would qualify for credit, as would a loan to bring jobs to a lower-income census tract, regardless of whether those jobs are open and accessible to people who are unemployed or working in low-wage jobs. ANHD believes that the CRA should do more to encourage banks to invest in efforts that create quality jobs, particularly jobs that pay above a minimum wage and that offer a path to the middle class.

CRA small business lending continues to be dominated by the Big Four banks as well as Capital One, TD Bank and HSBC. However, these banks do much of their lending through their credit card divisions. Banks like Signature and NY Community Bank do lower volumes, but make more traditional loans. Signature in fact reported more loans to small businesses (less than $1 million in revenue) than Chase and their lending likely had a bigger impact.

With a few notable exceptions, the percentage of loans (including all multifamily community development loans) and investments under the economic development category is very small. Our recent survey highlights the challenges with the category and the opportunity for more dollars to support quality jobs.

ANHD believes that, regardless of the category used – economic development, revitalization, or community services – the CRA should be more intentional in how it measures and incentivizes activities that support equitable economic development, so as to create and retain quality jobs and infrastructure to support those businesses and workers. This is what our City needs to rebuild the middle class and create pathways to opportunity for many New Yorkers who have few options available to them beyond lower-paying service sector jobs.

See the *Community Development Lending and Investments* section for more details on this topic.

MAJOR FINDING #2

OVERALL REINVESTMENT VOLUME INDEX & QUALITY SCORE

Trends

- 2012: Overall Reinvestment increased 36% to $9.9 billion. Community Development Reinvestment increased 50% and Core Consumer & Commercial Lending Reinvestment increased 23%. Reinvestment Index: $9.9 billion equals 1.23% of the total locally held deposits. The average among all 24 banks was 4.76% and the median 1.54%. Seven banks exceeded 5% of local deposits.

- 2013: Overall Reinvestment increased 12.7% in 2013 to $11.2 billion. Community Development Reinvestment increased 16.5% and Core Consumer & Commercial Lending Reinvestment increased 8%. Reinvestment Index: $11.2 billion equals 1.29% of the total locally held deposits. The average among all 24 banks increased to 5.25% and the median 2.01%. Seven banks exceeded 5% of local deposits

- Nine banks received a quality score over 3 in 2012 and 11 banks in 2013.

Recommendations

- **All banks should commit to reinvesting 5% or more of local deposits dedicated to the full range of targeted, strategic reinvestment lending and investments that specifically benefit low- and moderate-income communities.** Banks that already invest close to or over 5% of their deposits should strive to reach or exceed that goal in a responsible manner. Banks well below the 5% mark should take incremental steps and build up the infrastructure (staff and resources) to support deals, large and small, that target the unique community development needs of New York City.

- **Banks should strive for a quality score above 3, indicating they beat their peers in more areas than they lagged with regards to the percentage of activities that have the biggest impact.** This would represent a commitment to fair lending and to factors that have an impact beyond simply the dollar amount.

Rather than assigning one ranking to each bank, ANHD has developed a more nuanced tool to measure and compare the volume and quality of bank reinvestment. An overall reinvestment volume index measures the full range of reinvestment lending and investments by volume as compared to locally held deposits. These activities are

separated broadly into two categories: (1) community development reinvestment; and (2) core consumer and commercial lending reinvestment. The overall reinvestment quality score evaluates how the banks' loans, investments, and services compare to one another on a range of factors that have an impact beyond the dollar amount.

Community Development Reinvestment includes community development loans, CRA-qualified investments, and CRA-eligible grants that provide financing for:

- The construction, rehabilitation, and preservation of affordable housing.
- Community facilities such as healthcare clinics and community centers.
- Job creation, education, healthcare, and other efforts to revitalize neighborhoods.
- Nonprofits that engage in all areas of community development, including affordable housing, community facilities and programs, and advocating for policy change.

The Community Development Quality Score compares the percentages of these loans and investments to nonprofits, Community Development Corporations, for affordable housing, and grants to neighborhood-based organizations. It also compares the percentage of deposits dedicated to grants.

Core Consumer and Commercial Lending Reinvestment includes 1-4 family, multifamily, and small business loans:

- 1-4 family home purchase and refinance loans to low- and moderate-income borrowers.
- Multifamily mortgage loans in low- and moderate-income census tracts.
- Multifamily mortgage loans that get community development credit (this dollar amount is used in core consumer and commercial lending reinvestment volume index).
- Small business loans (loans below $1 million to businesses with revenues below $1 million) in low- and moderate income census tracts.

The Core Consumer and Commercial Lending quality score compares the percentages of 1-4 family loans to low- and moderate-income borrowers; multifamily loans that get community development credit; multifamily and small business loans in low- and moderate-income neighborhoods; and an evaluation of responsiveness and innovation for retail banks.

The Service / Responsiveness quality score compares percentages of branches in low- and moderate-income census tracts, an evaluation of banking practices, and staffing in New York City and responsiveness/ innovation for wholesale banks.

The Overall Reinvestment Volume Index compares the total amount of reinvestment dollars to local deposits. Now that we have multiple years of data regarding multifamily loans that received community development credit under the CRA, we believe that is a better indication of multifamily loans more likely to benefit lower-income people and communities and are now using that indicator in the reinvestment volume index. However, for banks that did not report this particular set of data, we continued to use loans made in lower-income tracts.

TABLE 9

CHANGE IN OVERALL REINVESTMENT 2011-12, 2012-13 (BILLIONS)

	2011	2012	% Change	2013	% Change
Overall Reinvestment Volume	$7.3	$9.9	36.1%	$11.2	12.7%
Community Development Reinvestment	$3.5	$5.3	50.1%	$6.1	16.5%
Core Consumer & Commercial Lending Reinvestment	$3.8	$4.7	23.3%	$5.1	8.3%

TABLE 10

CHANGE IN REINVESTMENT BY CATEGORY 2011-12, 2012-13 ($ IN MILLIONS)

	2011	2012	% Chng	2013	% Chng
Multifamily Community Development loans	$3,128	$3,956	26.5%	$4,325	9.3%
Multifamily lending in LMI tracts (for comparison)	$5,576	$4,857	-12.9%	$6,209	27.9%
1-4 family Home Purchase Loans to LMI borrowers	$217	$215	-0.9%	$207	-3.7%
1-4 family Refinance Loans to LMI borrowers	$221	$234	5.7%	$176	-24.8%
Small business lending in LMI tracts	$189	$249	31.6%	$331	33.1%
Community Development Lending	$2,358	$3,142	33.3%	$3,665	16.7%
CRA-qualified Investments	$1,072	$2,045	90.7%	$2,393	17%
CRA-eligible grants	$74.13	$73	-1.5%	$70.97	-2.8%

While we recognize that not every bank does all three types of core lending, it is important that they make loans equitably and responsibly in their areas of business. Thanks to the CRA, all banks are required, or greatly encouraged, to make community development loans and investments, including grants to nonprofit organizations. For this report, multifamily mortgages originated directly by banks are separated from the remainder of community development loans for affordable housing. Healthy lending is the lifeblood of multifamily housing and must be done equitably and responsibly like all core lending. We examine the quantity and quality extensively in the multifamily section.

Overall Reinvestment VOLUME Index: When evaluating the volume of a bank's reinvestment activity, we compare the dollars loaned and invested to its locally held deposit base, which we believe is a good proxy for its obligation to New York City. Using the definitions above, we created an Overall Reinvestment Volume Index, which is the sum of two individual indexes: 1) Community Development Reinvestment Index; and 2) Core Consumer and Commercial Lending Reinvestment Index. We do recognize that some community development loans and investments may take longer to close, resulting in some fluctuations in community development reinvestment indexes from year to year.

OVERALL REINVESTMENT VOLUME INDEX (SUM OF THESE TWO REINVESTMENT INDEXES)

Community Development (CD) Reinvestment Index		Core Consumer & Commercial Lending Reinvestment Index
Community development lending, CRA-qualified investments, and CRA-eligible grants ÷ Local deposits	+	Home purchase and refinance loans to LMI* borrowers, Small business loans in LMI tracts & Multifamily community development loans ÷ Local deposits

* LMI = Low- and Moderate-Income

Overall Reinvestment QUALITY Score: Quality is measured in a similar manner to the rankings in previous reports where banks are evaluated based on their performance relative to one another on a variety of factors that indicate the investment is likely to have a larger impact than simply the dollar amount. This method also enables us to compare service and responsiveness to lower-income communities where there isn't a dollar amount associated with it. For example, loans and investments to nonprofits in general, and loans to Community Development Corporations (CDCs) in particular, are typically more impactful. CDCs are locally controlled nonprofits committed to providing permanent affordable housing with deep affordability and ancillary

services that go beyond housing to strengthen and empower families and communities. CRA-eligible grants are the only investment for which banks do not get a return on investment and, because they are so much smaller than other loans and investments, they do not carry much weight in the reinvestment volume index. For that reason, we include percentage of deposits to CRA-eligible grants in the quality score. No other quality factor compares volume. For each factor we assign points based on the median value of all banks within their respective classification – larger, smaller, and wholesale. Banks with values of the median +/- 20% get a score of 3, banks below that range get a 1 and banks above it get a 5. A bank gets a score of 0 if they did not provide the information that cannot be gotten publicly. Wholesale banks do not receive scores related to branching or core lending. Points are averaged together to get three individual quality scores, which are then averaged together to calculate the overall reinvestment quality score.

OVERALL REINVESTMENT QUALITY SCORE (AVERAGE OF THESE THREE INDIVIDUAL SCORES)

<table>
<tr>
<td>Community Development Score
• % Community development loans for affordable housing
• %'s Community development loans to nonprofits & to CDC's
• % CRA-qualified investments to nonprofits
• % CRA-eligible grants to deposits
• % CRA-eligible grants to neighbor-hood based organizations
• Community responsiveness / innovation score for retail banks</td>
<td>Core Consumer & Commercial Lending Score (scored where banks made over 10 loans)
• %'s Home purchase & refinance loans to LMI borrowers
• %'s Multifamily and small business loans in LMI tracts
• %'s Multifamily Community Development loans</td>
<td>Service /Responsiveness Score:
• %'s Branches in low-income and LMI census tracts
• % Staffing in New York City
• Banking Score
• Community responsiveness/ innovation for wholesale banks</td>
</tr>
<tr>
<td colspan="3">For each factor, if a bank's performance is within +/- 20% of the median value, the bank gets <u>3 points</u>. <u>5 points</u> If they perform above that range and <u>1 point</u> below that (0 points if no answer). Points are averaged to get the score in each category.</td>
</tr>
</table>

We distinguish between community development lending and investments and core consumer and commercial lending activity. Community development loans and investments typically take longer to put together, require more specialized staff and intentionality, and must be made with an explicit community development purpose, such as building and rehabilitating affordable housing, creating jobs, and providing community facilities. Banks are expected to do a certain volume of these loans and investments and ANHD believes banks should demonstrate both quantity and quality here.

Core consumer and commercial lending is just as important, but typically relates more to a bank's main business and should be analyzed for volume, quality, and fair lending. Not all banks make all three types of loans – multifamily, 1-4 family, and small business – but within any loans they do originate, they must lend equitably and responsibly to lower-income borrowers and neighborhoods. For example, a bank that originates 1-4 family mortgages should lend at sufficient volumes and also have dedicated staff and affordable products that give lower-income borrowers the best chance of successful homeownership through pre-purchase counseling and financial assistance. Likewise, banks that originate multifamily loans should ensure that the loans are responsibly underwritten and made to landlords that will preserve affordability, maintain the properties, and respect the rights of the tenants. ANHD believes that multifamily loans submitted for community development credit are a better indication of how well banks are, or should be, paying attention to these factors. They are also more likely to

receive greater scrutiny under the CRA as to how well they are meeting the needs of lower-income people or neighborhoods, and thus we use those loans in the volume index. For the quality score analysis, we excluded banks that made fewer than 10 loans in any category.

TABLE 11
2013 OVERALL REINVESTMENT VOLUME INDEX AND QUALITY SCORE ($ IN MILLIONS)

2013 Reinvestment VOLUME Index											2013 Reinvestment QUALITY Score				
	NYC Deposits (billions)	CD	CD-I	Core	Core-I	Tot	% Chg 2011-12	Tot-I	% Chg 2011-12			Svc	Core	CD	Total
Largest Banks															
M&T	$2.67	$188	7.1%	$105	3.90%	$293	7%	11%	-2%		Capital One	2.50	4.60	3.83	3.64
Wells Fargo	$13.3	$1,020	7.7%	$161	1.20%	$1,181	86%	8.91%	70%		Chase	3.50	3.40	3.20	3.37
Capital One	$22.9	$310	1.4%	$386	1.70%	$696	-32%	3.04%	-34%		M&T	3.00	3.00	4.00	3.33
Citibank	$56.2	$1,227	2.2%	$92.4	0.20%	$1,319	32%	2.35%	20%		Bank of America	4.00	2.80	3.17	3.32
Bank of America	$47.6	$265	0.56%	$113	0.24%	$378	38%	0.80%	38%		HSBC	3.00	3.33	2.00	2.78
HSBC	$53.3	$338	0.63%	$50.6	0.09%	$389	-25%	0.73%	-28%		Citibank	4.00	2.00	2.17	2.72
TD Bank	$13.3	$53.66	0.40%	$25.2	0.19%	$78.82	-60%	0.59%	-63%		TD Bank	2.50	1.40	3.83	2.58
Santander	$8.13	$11.80	0.15%	$25.9	0.32%	$37.69	20%	0.46%	13%		Wells Fargo	2.00	2.20	2.83	2.34
Chase	$385	$975	0.25%	$296	0.08%	$1,270	22%	0.33%	13%		Santander	1.00	2.80	3.00	2.27
Smaller Banks															
NY Community	$5.80	$477	8.2%	$2,468	42.60%	$2,945	56%	50.8%	41%		Popular Comm.	4.50	5.00	3.50	4.33
Carver	$0.49	$34.60	7%	$11.6	2.40%	$46.14	34%	9.37%	42%		Carver	3.50	4.33	3.83	3.89
Signature	$11.4	$278	2.4%	$753	6.60%	$1,030	13%	9.03%	-4%		NY Community	2.00	4.20	3.50	3.23
Dime	$1.97	$0.33	0.02%	$126	6.40%	$126	-36%	6.38%	-41%		Apple	4.00	2.50	2.55	3.02
Astoria	$3.68	$31.79	0.86%	$172	4.70%	$14.57	-49%	5.56%	-47%		Ridgewood	2.50	2.50	3.67	2.89
Ridgewood	$2.74	$11.63	0.42%	$97.3	3.60%	$109	231%	3.98%	214%		Signature	2.50	3.33	1.67	2.50
Valley National	$1.60	$30.70	1.9%	$30.9	1.90%	$61.64	202%	3.85%	202%		Dime	3.00	1.50	2.40	2.30
Flushing*	$1.21	-	-	$32.5	2.70%	$32.46	-8%	2.68%	-3%		Astoria	2.00	1.60	3.17	2.26
Popular Comm.	$2.50	$37.30	1.5%	$26.9	1.10%	$64.16	-38%	2.56%	-35%		Valley National	2.00	2.25	2.00	2.08
Apple Bank	$6.76	$26.40	0.39%	$87.3	1.30%	$114	77%	1.68%	14%		Emigrant	0.67	3.40	0.43	1.50
Emigrant	$0.85	-	-	$10.9	1.30%	$10.92	9%	1.28%	310%		Flushing	2.25	1.71	0.14	1.37
Wholesale															
Morgan Stanley**	$13.7	$123	0.89%	*Not Applicable*		$123	-18%	0.89%	-37%		Deutsche Bank	4.00		3.18	3.59
Deutsche Bank	$30.3	$172	0.57%			$172	16%	0.57%	-11%		Morgan Stanley	4.00		2.38	3.19
Goldman Sachs	$65.4	$257	0.39%			$257	-17%	0.39%	-31%		Goldman Sachs	4.00		2.27	3.14
BNY Mellon	$119	$261	0.22%			$261	-59%	0.22%	-60%		BNY Mellon	2.00		1.00	1.50

* Using multifamily loans in LMI tracts as a proxy for community development loans in 2012 and 2013 – bank didn't provide data.

** This report evaluates the CRA activities of Morgan Stanley Private Bank, which is assessed by their regulators in an assessment area that includes NYC. This bank is evaluated akin to the other wholesale banks via a strategic plan. Morgan Stanley also has a larger wholesale bank that is evaluated by their regulators in Utah. This larger bank had $66 billion in deposits as of June 2013.

This system gives us a way to separately evaluate who is leading in terms of volume of reinvestment and who is leading in terms of how their loans, investments, and services meet the needs of lower-income residents and communities. An overall reinvestment quality score above 3 indicates the bank is leading its peers in more areas than it is lagging, while banks below that are lagging more. A low quality score may also indicate that the bank did not supply data on one or more points, for which the bank got a "0."

When looking at overall reinvestment volume, the numbers continued to increase in both 2012 and 2013. In 2012, the increase was driven by larger increases in community development loans and investments, while in 2013 the increase was more evenly distributed among both categories. Multifamily loans make up a large percentage of some banks' CRA activity, as is particularly the case in banks like NY Community Bank, Dime, Signature, and Astoria.

In both 2012 and 2013, seven banks reinvested over 5% of their locally held deposits. Capital One and Popular Community Bank reinvested over 3% each in 2012, as did Capital One, Ridgewood, and Valley National in 2013. Among the banks below 5%, the average percentage reinvested was barely 1.5% in 2012 and 2013. In 2012, M&T Bank, Signature, NY Community Bank, and Carver reinvested over 3% of their locally held deposits for community development loans and investments. In 2013, M&T Bank, Wells Fargo, NY Community Bank, and Carver also reinvested over 3%.

TABLE 12
2012 OVERALL REINVESTMENT VOLUME INDEX AND QUALITY SCORE ($ IN MILLIONS)

2012 Reinvestment VOLUME Index									
	NYC Deposits (billions)	CD	CD-Index	Core	Core-Index	Total	% Chg 2011-12	Total Index	% Chg 2011-12
Larger Banks									
M&T	$2.4	$173	7.09%	$101	4.10%	$274	195%	11.2%	177%
Wells Fargo	$12.2	$45	0.37%	$590	4.90%	$635	93%	5.23%	74%
Capital One	$22.2	$532	2.40%	$490	2.20%	$1,022	83%	4.61%	62%
Citibank	$51.2	$896	1.75%	$105	0.20%	$1,000	-9%	1.96%	-17%
TD Bank	$12.2	$148	1.21%	$47.20	0.40%	$195	34%	1.60%	22%
HSBC	$51.1	$452	0.89%	$65.50	0.13%	$518	96%	1.01%	82%
Bank of America	$47.7	$210	0.44%	$64.60	0.14%	$275	5%	0.58%	16%
Santander	$7.6	$11.90	0.16%	$19.40	0.25%	$31.34	-27%	0.41%	-30%
Chase	$357	$715	0.20%	$330	0.09%	$1,045	55%	0.29%	38%
Smaller Banks									
NY Community	$5.24	$386	7.36%	$1,502	28.60%	$1,888	-9%	36%	-12%
Dime	$1.83	$0.33	0.02%	$197	10.80%	$198	52%	10.8%	56%
Astoria	$3.80	$5.69	0.15%	$398	10.50%	$404	350%	10.6%	371%
Signature	$9.65	$295	3.06%	$615	6.40%	$910	36%	9.43%	13%
Carver	$0.52	$25	4.80%	$9.35	1.80%	$34.36	22%	6.59%	19%
Popular Comm.	$2.64	$59.50	2.26%	$43.90	1.70%	$103	135%	3.92%	155%
Flushing	$1.29	-	-	$35.40	2.80%	$35.39	68%	2.75%	73%
Apple Bank	$4.37	$34	0.78%	$30.30	0.69%	$64.31	29%	1.47%	20%
Valley National	$1.60	$13.90	0.87%	$6.50	0.41%	$20.38	-44%	1.28%	-44%
Ridgewood	$2.60	$7.90	0.30%	$25	0.96%	$32.91	-35%	1.27%	-31%
Emigrant	$3.21	-	-	$10.10	0.31%	$10.05	-13%	0.31%	-18%
Wholesale									
Morgan Stanley	$10.6	$150	1.42%	Not applicable		$150	-23%	1.42%	-57%
Deutsche Bank	$23.3	$149	0.64%			$149	286%	0.64%	220%
Goldman Sachs	$53.8	$308	0.57%			$308	40%	0.57%	-7%
BNY Mellon	$117	$643	0.55%			$643	285%	0.55%	248%

2012 Reinvestment QUALITY Score				
	Svc	Core	CD	Total
Capital One	2.50	5.00	3.67	3.72
Bank of America	4.00	2.40	4.17	3.52
TD Bank	2.50	2.80	4.50	3.27
Citibank	4.00	3.33	2.17	3.17
Chase	3.00	3.80	2.60	3.13
M&T	3.00	2.40	3.00	2.80
HSBC	3.50	2.67	1.67	2.61
Wells Fargo	2.50	1.60	2.67	2.26
Santander	1.00	3.67	2.00	2.22
Popular Comm.	4.50	4.67	3.67	4.28
NY Community	1.50	3.80	4.33	3.21
Ridgewood	2.50	2.25	4.17	2.97
Carver	3.50	-	2.17	2.83
Apple	4.00	2.33	200	2.78
Dime	3.00	2.67	2.40	2.69
Signature	2.50	3.33	1.22	2.35
Astoria	2.00	1.80	3.00	2.27
Emigrant	2.00	3.60	0.43	2.01
Flushing	2.25	3.60	0.14	2.00
Valley National	2.00	1.80	2.17	1.99
Deutsche Bank	4.00		3.55	3.77
Morgan Stanley	4.00		2.38	3.19
Goldman Sachs	3.00		2.45	2.73
BNY Mellon	2.00		0.80	1.40

Capital One stands out for having both a high overall reinvestment volume index and one of the higher reinvestment quality scores. M&T, too, ranked high in both volume and quality in 2013. Popular Community Bank has a lower reinvestment volume index, but a high quality score, indicating that it could do more in volume, but the activity it does is done well and equitably. Popular Bank is especially known for its branch presence in lower-income and immigrant neighborhoods. Deutsche Bank also stands out for the quality and intentionality of its approach to community development, which is truly sector-leading and has been a standard bearer for decades. The fact that Deutsche Bank's most effective programs have continued for many years demonstrates a strong commitment to community development. Likewise, Goldman Sachs' approach to economic development has moved the field forward, particularly with its support of the industrial sector. However, neither made any CRA-qualified investments to nonprofits in 2013.

With regards to the wholesale banks, it must be noted that this report evaluates the CRA activities of Morgan Stanley Private Bank, which has a much smaller deposit base than the larger wholesale bank, Morgan Stanley, N.A.,

which had $66 billion in deposits as of June 2013. Morgan Stanley Private Bank is located in Westchester and evaluated by its regulators solely in NYC and Westchester, whereas the wholesale bank's assessment area is in Utah. The private bank is evaluated akin to the wholesale banks through the strategic plan option. This gives them a much higher reinvestment index than their peers, but we recognize that Goldman Sachs, Morgan Stanley, and Deutsche Bank all stand out as taking CRA seriously and each have a meaningful impact on community development in New York City.

Chase we note has a low reinvestment volume index, primarily because its deposit base is so large. Chase certainly has a large presence in - and thus obligation to - New York City, but it also books many deposits here in New York City from businesses outside the City. Chase's quality score shows it is making loans relatively equitably to lower-income borrowers and neighborhoods. The majority of its community development loans and investments were for affordable housing and to nonprofits. Chase did not provide data on loans to CDCs or grants to neighborhood-based organizations, which further lowered their quality score, but we know that it a valuable partner to CDCs.

Overall, few banks perform at the top or the bottom in every category and this more nuanced analysis provides a way to see that breakdown. Bank of America, for example, has a low reinvestment index and had one of the higher quality scores in 2012. A closer look at the bank's quality score shows that its core consumer and commercial lending score is much lower than its other scores. On a positive note, the bank has a fair branch presence in lower-income neighborhoods and in 2012, made one of the higher percentages of community development loans to locally-controlled CDC's. However, Bank of America made one of the lower percentages of 1-4 family home loans to low- and moderate-income borrowers.

Of course, no single tool can capture every aspect of good community development. Citibank, for example, continues to rank lower than its peers. Very few of its community development loans and investments go to nonprofits or CDC's and few grants went to neighborhood based organizations. Citibank's core lending score was also lowered in 2013 because it made more than 10 multifamily loans, only one of which was in an LMI tract. However, we also recognize the bank's leadership in affordable housing – over 90% of their community development loans in 2012 was for affordable housing; a smaller percentage of its CD lending went to affordable housing in 2013, mainly due to a $500 million community development loan Citibank made to the MTA in response to Hurricane Sandy. We recognize that many of Citibank's deals are very complicated, innovative, and have a significant positive impact on low- and moderate-income communities. We have long encouraged the bank to find ways to make similar investments with nonprofit organizations and CDC's in particular to ensure that the affordable housing it helps to build and preserve remains permanently affordable. We also recognize the strides Citibank is making in access to banking through their community partnerships, overdraft polices, and bank products. In 2014, Citibank and Bank of America introduced "checkless checking accounts" that do not allow for overdraft at all.

Among the smaller banks, NY Community Bank is the biggest multifamily lender in the City, which is clearly reflected in its very high reinvestment index, but its community development reinvestment index is also high relative to its peers. In 2012, New York Community Bank ranked high in two of the three quality indicators and lower in the service category, resulting in a lower overall score. For one thing, none of the community development staff are in the City, but we acknowledge that they are close by in Long Island, and have been very responsive to community organizations, quick to respond to issues in the buildings for which they lend, and open to partnering with the government and nonprofit sector. Also impacting the bank's service quality score is a relatively low percentage of bank branches in low- and moderate-income neighborhoods, but the bank does offer affordable banking products. Its high community development score reflects the fact that nearly 85% of grants went to neighborhood-based organizations. The bank also ranked highly in the percentage of community development loans for affordable

housing, but that is more because most other savings banks did so much less than its 3%. Typically, savings banks do their affordable housing community development lending through multifamily mortgages. We are pleased that over half of Ridgewood's multifamily loans were in lower-income neighborhoods, up from 34% in 2011. Only 24% of its multifamily loans were community development loans in 2012, but that rose to over 40% in 2013, similar to 2011. Their score would increase more if they made a higher percentage of 1-4 family loans to lower-income borrowers, but we appreciate the steps they're taking to get there.

As with the ranking in previous years, we hope that this metric provides a useful tool to highlight areas where banks do well and areas they could improve. This enables us to evaluate banks individually and compare them to each other, while still allowing for the CRA's flexibility in the specific loans, investments, and services each bank provides.

MAJOR FINDING #3

WHERE THE CITY DOES BUSINESS WITH BANKS AND FINANCIAL INSTITUTIONS

Trends

- In Fiscal Year 2013, New York City had $72.8 billion in revenue and $85.2 billion in expenses, and over $12 billion in new bond issuances. The city spent $8.4 billion each year in capital expenses as well. In 2013, the five pension funds managed by the City paid out benefits totaling $12 billion and ended the fiscal year with $137.4 billion in assets, up from $123 billion a year earlier. All of this money sits in, or flows to and through, financial institutions.
- The majority of City business covered by the Responsible Banking Act (RBA) – holding City deposits and providing banking services – is given to the Big Four banks and State Street: Citibank holds the central treasury account; Chase has payroll; Bank of America and Wells Fargo have the largest lockbox accounts; and Citibank, Chase, and Bank of America process much of the city's credit card transactions. State Street manages the short term investment of City treasury funds. Signature and Flushing each have long-term deposit accounts as well.
- Banking business outside of the RBA: Holding and managing city deposits is only a small piece of bank activity with NYC. Some of the largest banks, including the Big Four, State Street, Morgan Stanley, Goldman Sachs, and Bank of NY Mellon do considerable business related to pensions, asset management, bonds, and other contractual services.

Recommendations

- The City should swiftly implement the Responsible Banking Act, so that the Community Investment Advisory Board (CIAB) can gather data, hold the required hearings, and issue recommendations prior to the banking commission's next decision on banks eligible to hold city deposits.
- The City should embody the principles of the RBA in all banking decisions and channel its business to banks and financial institutions that have clear plans and track records of meeting the service, credit, and reinvestment needs in communities across the City.

Financial institutions hold and manage over $150 billion of New York City's money through banking and financial services. This business is necessary to the operation of our city and is also very lucrative for these institutions. The City of New York has an opportunity to leverage its economic power to raise the bar for banks in our City. The City should do more business with financial institutions that have a clear plan and track record of meeting the service and credit needs of the diverse neighborhoods of the City, and less business with those institutions that do not.

In Fiscal Year 2013, New York City had $72.8 billion in revenue and $85.2 billion in expenses, and over $12 billion in new bond issuances. Most numbers are up from FY 2012 with $68.6 billion in revenue, $83.4 billion in expenses, and over $13 billion in bonds issued. The city spent $8.4 billion each year in capital expenses as well. In 2013, the five pension funds managed by the City paid out benefits totaling $12 billion and ended the fiscal year with $137.4 billion in assets, up from $123 billion a year earlier. All of this money sits in or flows to and through financial institutions.

ANHD has been analyzing where the City does business with banks and financial institutions, looking at deposits, cash balances, bond underwriters, asset management contracts paid for by the pension funds, and contracts with City agencies for banking, services, asset management, procurement, and bond financing. Data comes from the Department of Finance, Comptroller reports, and data posted on the Comptroller's Checkbook2.0 website.

This report examines active contracts in FY 2013 and 2014 that started in the previous 10 years. These are contracts that began on or after July 1, 2003 or 2004 and end during or after the fiscal year being analyzed (FY is from July 1st of the previous year through June 30th). This may not cover every area of business, but it gives a good sense as to who the City does business with, particularly CRA-covered banks or subsidiaries of bank holding companies that also include CRA-covered banks.

Financial institutions typically engage in one or more of the following areas of business with the City:

- General banking, including the central treasury, payroll, and other disbursement accounts.
- Lockbox and collection accounts that are used to process and hold taxes, fines, and money held in escrow from the courts and law enforcement.
- Procurement services made through bank credit cards, typically for supplies and travel. They are not fees to the banks, but they likely generate profits for banks through service contracts and in the form of interchange fees (also known as "swipe fees") from the vendors.
- Consultation contracts for services provided by the banks. The largest contracts are for custodial, advisory and management services for treasury and pension funds.
- Bond financing: underwriting, marketing, liquidity services, remarketing, and reissuing, which in turn can generate business for banks far beyond what the City pays. Underwriting fees are not paid by a contract, and are typically paid via a discount price to an individual firm or a senior manager that shares the fees with other co-managers. We do not yet have that breakdown.

25 banks are designated as eligible to hold city deposits, but the majority of banking is done with the Big Four banks (Chase, Citibank, Wells Fargo, and Bank of America) and Boston-based State Street Bank & Trust. For at least the past four years, the City has also maintained two interest-bearing accounts at Flushing and Signature. Excluding BDD's, the City average balances totaling $512 million in FY 2012; $277 million in FY 2013; and $216.86 million in FY 2014. Some agencies also have separate accounts with funding from other sources, such as grants or programs, but aren't managed by the treasury. These numbers represent just a fraction of the City's budget – most of the money is not sitting in the accounts at all, but rather, is flowing in and out to keep the City running.

TABLE 13
AVERAGE DEPOSITS MANAGED BY CITY TREASURY (EXCLUDING BBD'S) ($ IN MILLIONS)

	FY 2011	FY 2012	FY 2013	FY 2014
Bank of America	$22.74	$98.34	$12.20	$13.93
Citibank	$0.02	$34.29	$61.81	$24.59
Chase	$204	$180	$4.93	$16.53
Wells Fargo	$30.31	$99.89	$98.19	$81.61
Signature (Interest-bearing acct)	$50.00	$50.00	$50.00	$50.00
Flushing (Interest-bearing acct)	$50.00	$50.00	$50.00	$30.00
Capital One	-	-	-	$0.19
Bank of NY Mellon	-	-	$0.01	$.01

The City has a daily average of roughly $6 billion in cash balances, an amount that fluctuates widely throughout the year. The majority of this money is managed and invested by State Street, only to be transferred to the City treasury when needed for day-to-day operations. The Department of Finance manages the Central Treasury and most transactions to keep the City operating.

Citibank continues to hold the Central Treasury account, while Chase processes the City's payroll. Bank of America and Wells Fargo were awarded the largest contracts for Lockbox services, which are typically used to collect taxes and fees. Chase, Citibank, Bank of America, and American Express collectively process an average of well over $60 million annually in supplies and travel expenses through purchasing contracts with their credit cards. What's interesting is that the City appears to have transferred many accounts from Chase to Citibank over the past few years. In 2013, Citibank acquired the Central Treasury account, and then in 2014 a number of credit card purchasing contracts also appear to have been transferred to Citibank – most notably in the Department of Education. It's hard to determine from Checkbook2.0 which payments were for fees and which were for actual goods, but according to a recent budget document by the New York City Council, the Department of Finance has budgeted "$2 million in City Funds in Fiscal 2014 and $3 million in City funds in Fiscal 2015 towards anticipated fees resulting from increased credit card service transactions." [2] It also says "A recent re-forecasting of anticipated fees resulted in an additional base line funding need of $2 million per year starting in Fiscal 2014."

Holding and managing deposits is only a small part of the City's business with financial institutions. The City contracts with many financial institutions to manage treasury and pension assets as well as bond deals through underwriting, letters of credit, liquidity, reissuing and remarketing bonds, and advisory services. We analyzed contracts registered with the Comptroller, including city contracts and contracts paid for by pension funds. We look at the total contract amount, the amount spent to date, and the estimated amount spent per year. Because the fees are not as transparent in interest rate swaps, we list those separately.

[2] The City Council of the City of New York (June 6, 2014), "Report on the Fiscal Year 2015 Executive Budget for the Department of Finance", retrieved from http://council.nyc.gov/downloads/pdf/budget/2015/15/eb/dof.pdf

TABLE 14

ACTIVE CONTRACTS STARTED IN PAST 10 YEARS, ACTIVE DURING FY2014 ($ IN MILLIONS)
(Retrieved 7/9/14--excludes contracts with the office of the comptroller--they are analyzed separately)

Department of Finance					Other Departments			
	Current Amount	Spent To Date	Per year		Current Amount	Spent To Date	Per year	
Citibank	$16.79	$5.54	$5.25	Central Treasury, demonstration project, credit card contract	$73.39	$18.41	$35.17	Mainly credit card expenses for travel and lodging, not all fees
Chase	$4.00	$1.03	$2.00	Banking services	$16.93	$5.38	$5.43	Payroll, Lockbox, lease of space, and some small credit card contracts
Bank of America	$22.04	$21.54	$6.35	Lockbox & banking services	$1.52	$121	$30.71	Banking services & $120 million credit card purchases, not all fees
Wells Fargo	$20.15	$4.96	$3.26	Lockbox & banking services				
American Express	$12.69	$.69	$2.54	Credit card payment & processing not all fees	$.10	$.08	$.10	Credit card expenses, not all fees
BNY Mellon	$1.39	$.69	$.34	Cleartran and collection				
HSBC					$1.85	$1.36	$.34	Banking Services

Two banks particularly integral to the operation of the city: The Bank of New York Mellon and State Street. Bank of New York Mellon is the transfer and paying agent for New York City bonds, receiving and paying out interest to bondholders who must redeem their bonds for them. Mellon was also custodial agent for the pension system, but that contract was awarded to State Street mid-2014. And as mentioned above, State Street also manages the short-term investment of City treasury funds. Table 18 lists the banks that have the largest contracts with the Comptroller, including custodian accounts and city-funded contracts related to bond financing and pension services. Table 16 lists the banks with the largest pension-funded contracts These tables reflect banks with CRA-covered subsidiaries. The City contracts with many independent firms, such as Blackrock and T. Rowe Price, as well as some international banks with little or no U.S. branch presence.

TABLE 15
ACTIVE CONTRACTS STARTED IN PAST 10 YEARS, ACTIVE DURING FY 2013 ($ IN MILLIONS)

	Department of Finance				Other Depts			
	Current Amount	Spent To Date	Per Year		Current Amount	Spent To Date	Per Year	
Chase*	$8.15	$7.56	$1.81	Lockbox account	$31.38	$23.56	$20.42	Payroll & lockbox, and over $25M in credit card expenses: not all fees
Citibank	$16.79	$2.20	$5.25	Central Treasury, demonstration project, credit card contract	$28.92	$12.86	$21.05	Mainly credit card expenses, not all fees
Bank of America	$20.47	$19.66	$5.94	Lockbox & banking services	$1.52	$104	$31.48	Banking services & $104M credit card, not all fees
Wells Fargo	$16.06	$2.80	$2.64	Lockbox & banking services				
American Express	$12.69	$0.69	$2.54	Credit card payment & processing not all fees	$0.19	$0.05	$0.19	Credit card, not all fees
HSBC					$1.85	$1.06	$0.34	Banking Services
Deutsche Bank					$1.50	$1.15	$0.75	Services to process checks
BNY Mellon	$0.64	$0.14	$0.13	Cleartran (online banking)				

* Excludes two Chase contracts for $22M (stored value card / pre-paid card) that had no expenditures at the end of the contract date

These numbers will not capture transactions paid outside of a registered contract. For example, asset managers such as those employed by the pension funds are often paid a percentage of the assets. For some managers, that can be as much as 2-3% of the assets they manage, which may not be captured by registered contracts. Another example is bond underwriting fees. Senior managers and co-managers indicate institutions that stand to benefit the most from bond underwriting and trading. In addition to non-bank firms, 11 banks are senior managers and co-managers for one or more of New York City General Obligation, Transitional Finance Authority, and Municipal Water Finance Authority Bonds:

- Senior Managers: Morgan Stanley, Bank of America, Chase, Citibank, Wells Fargo, Goldman Sachs, Barclays.
- Senior Co-Managers: Morgan Stanley, Bank of America, Chase, Citibank, Wells Fargo, Goldman Sachs, PNC, RBC, TD Bank, US Bank, Barclays.

They likely have similar positions in bonds issued by other agencies, such as the Housing Development Corporation. Bonds represent significant business for banks as they are almost the third largest holder of municipal bonds after mutual funds and individual investors. In 2013, Bank of America managed the most

TABLE 16
PENSION-FUNDED CONTRACTS WITH CRA-COVERED INSTITUTIONS ACTIVE IN FY 2013 AND 2014: INVESTMENT AND ADVISORY SERVICES THAT WERE FUNDED BY PENSION SYSTEM. TOTAL: $810 MILLION IN ACTIVE CONTRACTS (AVG. $277 PER YEAR) – MOST WITH NON-BANK FINANCIAL INSTITUTIONS NOT LISTED HERE

Contracts Active in FY 2014		
State Street	$32,3	$10.82
Morgan Stanley	$11.73	$4.02
Goldman Sachs	$4.98	$1.66
Wells Fargo	$2.42	$0.86
Chase	$1.20	$0.30
Amalgamated	$0.43	$0.14
Active in FY 2013	**Amount**	**Per Year**
State Street	$25.19	$8.46
Morgan Stanley	$11.73	$4.02
Goldman Sachs	$4.98	$1.66
GE Asset Management	$3.99	$1.33
Wells Fargo	$2.25	$0.80
Chase	$1.20	$0.30
Amalgamated	$0.42	$0.14

municipal bond issues for the second-straight year, handling $42.2 billion of long-term, fixed-rate sales. Chase ranked second for the second year in a row, managing about $38 billion.[3] Governments paid banks $523 million to handle $97.4 billion of long-term deals from Jan through May 2014, averaging $5.37 per $1,000 of bonds. In the first quarter of 2014, New York was the second largest issuer by state, issuing about $7.9 billion worth of debt issued. The largest issue during that time, underwritten by Bank of America, was the New York and New Jersey Port Authority's $1 billion taxable issue in January. [4]

Again, this business is necessary to the operation of our city, but it is also very lucrative for these institutions. As the City implements the Responsible Banking Act, New York City should look evaluate all financial institutions that benefit from doing business with the City. The City should then channel its business to banks and financial institutions that have clear plans and track records of meeting the service, credit, and reinvestment needs in communities across the City.

TABLE 17

ACTIVE CONTRACTS REGISTERED WITH THE OFFICE OF THE NYC COMPTROLLER FOR CONTRACTS THAT STARTED IN THE PAST 10 YEARS AS OF THE END OF FY 2014 AND FY 2013 ($'S IN MILLIONS)

FY2014: Top Contracts still active during FY 2014 (end on or after the start of the FY: July 1, 2013 – June 30, 2014)						
Investment, Management, Advisory Services & Bond Financing, including letters of credit, marketing/ remarketing, and Fiscal Agent				Transactions related to interest rate swaps - these include fees and other transactions		
	Current Amount	Spent To Date	Per year	Current Amount	Spent To Date	Per year
Bank of America	$64.22	$30.01	$5.57			
BNY Mellon	$42.75	$19.15	$8.48	$5.11	$0.00	$0.31
State Street	$35.72	$2.66	$11.90			
Barclays	$23.54	$8.21	$2.18			
Wells Fargo	$19.21	$7.29	$1.92			
Chase	$18.94	$1.64	$2.75	$197.95	$7.43	$8.90
Citibank	$17.93	$5.90	$2.56			
Morgan Stanley	$14.42	$4.92	$1.86	$19.33	$6.78	$1.93
Bank of Nova Scotia	$11.66	$9.00	$2.47			
Goldman Sachs	$11.42	$2.76	$1.62			
Mizuho	$11.38	$8.14	$3.80			
TD Bank	$11.16	$3.71	$1.91			
Bank of Tokyo	$9.55	$6.20	$3.18			
US Bank	$8.48	$4.06	$0.91	$13.73	$3.25	$1.78
PNC	$8.05	$1.93	$1.28			
FY2013: Top Contracts still active during FY 2013 (end on or after the start of the FY: July 1, 2012 – June 30, 2013)						
Investment, Management, Advisory Services & Bond Financing, including letters of credit, marketing/ remarketing, and Fiscal Agent				Transactions related to interest rate swaps - these include fees and other transactions		
Bank	Current Amount	Spent To Date	Per Year	Current Amount	Spent To Date	Per Year
Bank of America	$70.55	$38.54	$6.55			
Bank of NY Mellon*	$53.63	$33.36	$8.94	$5.11	$0.00	$0.31
Chase	$25.42	$4.50	$1.25	$249	$6.61	$11.38
Barclays	$25.13	$9.73	$3.18	$0.62	$0.62	$0.03
Citibank	$23.08	$5.87	$2.73			
Wells Fargo	$18.98	$5.58	$1.91	$255	$92.32	$9.07
Morgan Stanley	$17.20	$4.26	$1.95	$19.33	$6.17	$1.93
Goldman Sachs	$12.64	$3.10	$1.66			
Mizuho	$11.38	$4.51	$3.80			
Bank of Tokyo	$9.55	$6.20	$3.18			
HSBC	$8.90	$0.93	$0.32			
US Bank	$8.48	$3.38	$0.91	$13.73	$1.08	$1.78
TD Bank	$6.52	$2.83	$1.32			
PNC	$5.40	$1.08	$0.87			
State Street**	$4.22	$2.02	$1.41			

* Bank of NY Mellon is the transfer and paying agent for the NYC bonds. They were also the custodial agent for the NYC pension system, but that contract was transferred to State Street in the Fall of 2014. ** State Street manages short-term investment of NYC treasury funds and is the custodial agent for NYC pensions

[3] http://www.bloomberg.com/news/2014-01-10/wall-street-s-bond-fees-shrink-fourth-straight-year html
[4] http://marketrealist.com/2014/05/texas-topped-tables-state-wise-municipal-bond-issuance/

Boston-based State Street Bank holds an average of $6 billion of City money per day and has no CRA obligation to NYC's communities.

Boston-based State Street Bank & Trust is an integral part of New York City's finances, yet has no obligation under the Community Reinvestment Act to reinvest in our City. State Street handles the short-term investment of New York City treasury funds. The City has an average of roughly $6 billion in daily cash balances, an amount that fluctuates widely throughout the year. Most of this money is managed and invested by State Street, only to be transferred to the City Treasury when it is needed for day-to-day operations. State Street also provides management and advisory services to some of the City's pension funds and, as of the fall of 2013, is also the custodial agent for the New York City pension system – a contract historically held by the Bank of New York Mellon.

State Street is a wholesale bank with over $200 billion in assets and $23 trillion in total assets under custody and administration, making it one of the largest providers of financial services to institutional investors, including the City of New York. **Given its size and business with our City, we have to ask what State Street is doing to reinvest in our low- and moderate-income residents and neighborhoods.** In fact, State Street has no obligation under the Community Reinvestment Act (CRA) to reinvest in New York City. Most banks are evaluated under the CRA based on where they do business as determined by their branch locations. Wholesale banks like State Street, however, do not have traditional branches, so their CRA assessment areas are typically based on their headquarters. State Street is headquartered in Boston, MA with an assessment area comprised of the cities of Boston and Quincy, Massachusetts. **The bank has no strategy specific to New York City's low- and moderate-income neighborhoods.**

The Responsible Banking Act (RBA), passed by the New York City Council in 2012, is a local response to the federal CRA. Through the RBA, banks seeking to hold City deposits will be asked to demonstrate their track records and plans to help meet the credit needs of low- and moderate-income New Yorkers. State Street should be no exception - as a key institution that does business far beyond holding City deposits, it should be held accountable to the needs of our City by providing loans, investments and services that benefit our low- and moderate-income residents and neighborhoods.

PART II

DETAILED ANALYSIS OF BANK REINVESTMENT

LOCAL DEPOSITS

Trends

- Local deposits continue to increase, albeit at a slower pace than in 2011. Deposits were up 13% in 2012 and 8% in 2013, reaching $870 billion.
- The overall trend is positive in that both deposits and reinvestment increased in 2012 and 2013. However, in 2012, five banks increased deposits, yet decreased their reinvestment in NYC; in 2013, 7 also increased deposits but decreased reinvestment in NYC.

Recommendations

- ANHD believes that reinvestment should increase year over year, and especially so if locally held deposits increase.

New York City is a major financial center of the world, home to the New York Stock Exchange and Federal Reserve Bank of New York, with many large banks and financial institutions headquartered or operating here. The City has nearly nine million residents, tens of thousands of small businesses, and a broad sector of large businesses. In this context, bank deposits held in New York City remain a strong indicator of bank presence here, and often reflect the many mergers and acquisitions of a consolidating industry. While mergers have slowed down, they have not stopped and the trend continues.

TABLE 18

TRENDS IN DEPOSITS IN 2011, 2012, AND 2013 (AS OF JUNE 30TH OF EACH YEAR - $'S IN BILLIONS)

	2011		2012		2011-12		2013		2012-13	
	National Deposits	NYC Deposits	National Deposits	NYC Deposits	% change NYC	% change National	Nat'l	NYC	% change NYC	% change National
Largest Banks	$3207.62	$516.32	$3531.33	$563.97	9.23%	10.1%	$3881.39	$602.22	6.78%	9.91%
Smaller Banks	$86.85	$34.99	$90.22	$37.73	4.98%	3.9%	$94.90	$39.02	6.21%	5.19%
Wholesale	$163.33	$163.33	$204.56	$204.56	25.25%	25.25%	$228.46	$228.46	11.68%	11.68%
Total	**$3457.79**	**$714.64**	**$3826.92**	**$805.27**	**12.68%**	**10.68%**	**$4205.57**	**$869.70**	**8.00%**	**9.89%**

Regulators use a combination of deposits, assets, and Tier 1 Capital to estimate their expectation for the volume of a bank's lending, investment and services. While this may be the best indicator for determining the entire bank's commitment, and recognizing that not all reinvestment activity comes directly out of deposits, ANHD believes that a bank's local deposit base is a better method for determining reasonable levels of reinvestment for individual assessment areas like New York City. For this reason, ANHD's benchmarks for lending and investments are tied to the size of a bank's local deposits.

But it must be noted that due to both the fluctuation of deposits and the changing nature of banking and the business of banks, this is an imperfect system, especially when it comes to some of the largest banks. For example, while

it is growing, Wells Fargo still has a relatively low deposit base locally because of its small branch presence, yet it is the third largest deposit holder in the nation. Wells Fargo also dominates the home lending market, accounting for nearly a quarter of all home purchase loans in the City. By our measure, it has a smaller obligation than any of the other "Big Four" banks that have a larger branch presence here and a larger deposit base. At the other end of the spectrum is Chase, which has by far the largest local deposit base, and thus the largest obligation, but we must acknowledge that may be a little misleading. Chase is based in New York City and certainly has a large presence, but we also know that it books business deposits here that come from outside the City and State. However, other banks, too, book out-of-town business deposits in the City and, given the lack of other local data, such as Tier 1 capital or the amount of business done specifically in New York City, we believe it is overall the best, most straightforward and objective system. This system also serves to hold accountable all banks with a presence in our city, even if it is not one of their main assessment areas. For example, according to federal regulators, Wells Fargo has little obligation to New York City as it is not one of the primary assessment areas that receive the greatest scrutiny. Given the amount of deposits it holds and the business it does with the City and its residents, Wells Fargo, too, must be held accountable to New York City.

As before, we treat wholesale banks differently because they do not have a traditional branch and deposit structure like the retail banks and thus we use their national deposits for the benchmark. In order to match yearly reporting to the FDIC, we are using deposits as of June 30th of each year. For the fourth straight year in a row, deposits among the major New York City banks increase, although less than the 22% increase from 2010-11. Among all 24 banks in our study this year, deposits went up 12.7%, from $714 billion in 2011, to $805.27 billion in 2012, and another 8% in 2013 to $869.70 billion.

TABLE 19
BIGGEST INCREASE IN LOCAL DEPOSITS 2011-2012, 2012-13 ($ IN BILLIONS)

	2011	2012	% change 2011-12		2012	2013	% change 2012-13
Largest Banks				**Largest Banks**			
Capital One	$19.62	$22.19	13.1%	Citibank	$51.15	$56.24	9.9%
Chase	$318	$357	12.4%	TD Bank	$12.15	$13.28	9.3%
Wells Fargo	$10.94	$12.16	11.1%	M&T	$2.44	$2.67	9.1%
Smaller Banks				**Smaller Banks**			
Signature	$8.05	$9.65	19.9%	Apple*	$4.37	$6.76	54.9%
Apple Bank	$4.06	$4.37	7.5%	Signature	$9.65	$11.41	18.2%
Emigrant	$3.03	$3.21	6.0%	NY Community	$5.24	$5.80	10.6%
Wholesale				**Wholesale**			
Goldman Sachs	$31.80	$53.77	69.09%	Deutsche Bank	$23.25	$30.26	30.18%
Morgan Stanley	$6.61	$10.61	60.62%	Morgan Stanley	$10.61	$13.74	29.54%
Deutsche Bank	$19.29	$23.25	20.54%	Goldman Sachs	$53.77	$65.38	21.59%
Apple Bank bought Emigrant's branch network – the sale completed in 2013, leading to a 50% increase in Apple's deposits and a 74% decrease in Emigrant's							

Eight of the 9 largest banks with assets over $50 billion increased their locally held deposits. Only Bank of America's deposits decreased,down 10% in 2012 and 0.4% in 2013 while its national deposits increased in each year. Capital One, Chase and Wells Fargo increased by over 10% in 2012 and continued to increase into 2013. Nationally, Capital One's bank deposits increased by 23% in 2012 and by an additional 85% in 2013, possibly due to its acquisition of HSBC's credit card division. Collectively, the smaller banks' deposits increased modestly in 2012 and 2013. Astoria's

deposits have been declining since 2009, but the decrease is lessening – they were down 9% from 2009-10, down 4% in 2012, and down just 3% in 2013. Apple Bank purchased Emigrant Bank's branch network, which is reflected in the 2013 numbers - Apple's local deposits increased by 54% in 2013 while Emigrant's deposits decreased 74%.

All four wholesale banks increased their deposit base in 2012 and 2013. Goldman Sachs increased the most in 2012 and Deutsche Bank in 2013.

As noted above, this report evaluates the CRA activities of Morgan Stanley Private Bank, which has a much smaller deposit base than the larger wholesale bank, Morgan Stanley, N.A., which had $66 billion in deposits as of June 2013. Morgan Stanley Private Bank is located in Westchester and evaluated by its regulators solely in NYC and Westchester counties, whereas the wholesale bank's assessment area is in Utah. The private bank is evaluated akin to the wholesale banks through the strategic plan option. Goldman Sachs, Morgan Stanley, and Deutsche Bank all stand out as taking CRA seriously and each have a meaningful impact on community development in New York City.

This report focuses on bank reinvestment activities, most of which are directly connected to a bank's CRA obligations, thus we chose to focus our profit analysis on net income attributable to the banks, and not those attributable to the other company activities. These other activities would certainly impact the overall profits and losses.

Profits attributable to the 24 retail and wholesale banks increased 13.4% in 2012 and nearly 20% in 2013. When expanding the analysis to include all the FDIC-insured subsidiaries owned by these bank corporations, profits increased 8% in 2012 and 16% in 2013. But this hides fluctuations among individual banks, including declines in profits among many of the smaller retail banks in one or both years, although only Carver and HSBC showed any losses in 2012 and none did in 2013. Among the largest retail banks Bank of America and Wells Fargo, and Citibank (including their subsidiaries) showed the largest profits in 2012 and 2013. However, these are only profits for the CRA-covered banks. The largest banks earn profits from a wide variety of activities outside of their banking activities.

With this context in mind, we would expect to see community reinvestment activities up overall, with the majority of the increases by the larger retail banks and wholesale banks, representing their larger growth and share of New York City deposits. Collectively this is indeed the case, but not universally and more needs to be done. We use this report to delve into the details of those activities and advocate for it to be of the highest quality.

MULTIFAMILY LENDING

Trends

- The multifamily market remains strong – increasing in 2012 and 2013. In 2012, the dollar amount loaned in LMI tracts decreased, but in 2013, lending increased in both categories at about the same rate. The number and dollar of multifamily loans qualifying for community development increased in each year.
- While signs of physical and financial distress remain low, the rising rents and sales prices citywide, including in historically more affordable neighborhoods, are troubling and suggest that lower-income tenants everywhere will face even more pressure and probable harassment and displacement.

Recommendations

- Regulators must look at the quantity and quality of all multifamily lending, especially loans on private rent-regulated housing for which banks seek CRA credit. They must regularly consult with organized tenants and community organizations as a key source of information to ensure that all |loans in LMI tracts and getting community development credit are in fact providing affordable housing and stabilizing neighborhoods and not harming them.
- Banks must make responsible multifamily loans based on realistic incomes and expenses and avoid lending to bad-actor landlords. However, there will always be bad landlords and, despite the improvement, banks are lending to them. And even with the best of intentions, some loans will go bad, especially for banks that do high volumes of lending. Banks should participate in the First Look program developed by ANHD, HPD, and the New York City Council to responsibly transfer distressed properties to responsible preservation-minded developers, thus preserving much-needed affordable housing.

New York is a city of renters – nearly two-thirds of New Yorkers rent their homes and the majority live in multifamily apartment buildings. Private rent-regulated housing remains one of the most important sources of private, more affordable housing in the City where median rents are considerably lower than market-rate units. New York City has over one million rent-regulated units, nearly half of all rental units, as compared to the 16% subsidized (public housing and other subsidies) units and 39% market rate[5]. Yet, our city is losing affordable housing at a rapid pace. From 2008 to 2011, New York City lost over 116,600 rental units affordable to families earning up to 80% AMI and about 36,400 of rent-regulated housing[6]. Certain neighborhoods had very little affordable housing to begin with.

Multifamily lending continued to increase in 2012; the 20 retail banks in this study made 3,669 loans for $13 billion in 2012, up from 2,937 loans ($11.6 billion) in 2011. In lower-income tracts, however, the number of loans increased by just 8% and the dollar amount loaned decreased by 13%. In 2013, the numbers went to 4,383 ($17 billion) in 2013, with increases about the same in lower-income tracts (from 1,711 to 2,027 loans). Access to credit is critical to maintaining the affordable rent-regulated housing in the City, and especially so in lower-income neighborhoods and where the rents remain more affordable. ANHD was formed in the 1970's when the City was suffering the consequences of severe disinvestment, where banks refused to invest in working class neighborhoods and communities of color. One only need see images of the dilapidated, abandoned buildings of that time to understand why we cannot afford to go back to those days.

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[5] Been, V., Dastrup, S., Ellen, I.E., et alia (2014), State of New York City's Housing and Neighborhoods 2013" published by The Furman Center for Real Estate and Urban Policy at New York University, retrieved online: http://furmancenter.org/research/sonychan/2013-state-of-new-york-citys-housing-and-neighborhoods-report
[6] 2012 Community Analysis, How is Affordable Housing threatened in your neighborhood?", published by ANHD

TABLE 20

MULTIFAMILY LENDING AMONG RETAIL BANKS ($ IN MILLIONS)

	2011	2012	% change	2013	% change
Multifamily Loans (#)	2,937	3,669	24.9%	4,383	19.5%
Multifamily Loans ($)	$11,633	$12,947	11.3%	$16799	29.8%
... in LMI tracts (#)	1,582	1,711	8.2%	2,027	18.5%
... in LMI tracts ($)	$5,576	$4,857	-12.9%	$6209	27.9%
... Community Development Loans (#)*	907	1,056	16.4%	1,198	13.5%
... Community Development Loans ($)	$3,128	$3,956	26.5%	$4325	9.3%

* Multifamily loans that also count as community development loans under the CRA

TABLE 21

MULTIFAMILY LENDING BY BANK ($ IN MILLIONS)

	2011		2012		2011-12		2013		2012-13	
	# Loans	Amt loaned	# Loans	Amt loaned	% chng (#)	% chng ($)	# Loans	Amt loaned	% chng (#)	% chng ($)
Largest Banks										
Chase	343	$1,153	570	$1,435	96.2%	24.4%	598	$1,736	4.9%	21%
Capital One	466	$1,520	386	$861	-17.2%	-43.3%	373	$1,135	-3.4%	31.8%
Bank of America	132	$80.30	155	$75.02	17.4%	-6.6%	165	$106	6.5%	40.8%
M&T	55	$586	80	$971	45.5%	65.7%	70	$881	-12.5%	-9.3%
TD Bank	8	$28.66	11	$33.48	37.5%	16.8%	35	$130	218.2%	287.1%
Wells Fargo	26	$775	33	$1,719	26.9%	121.9%	30	$650	-9.1%	-62.2%
Santander	17	$52.10	8	$8.06	-52.9%	-84.5%	15	$66	87.5%	718.6%
Citibank	2	$16.43	9	$34.95	350%	112.7%	12	$7.60	33.3%	-78.3%
HSBC	3	$9.50	6	$88.20	100%	828.4%	1	$3.70	-83.3%	-95.8%
Smaller Banks										
NY Community	957	$4,893	742	$3,201	-22.5%	-34.6%	1,139	$5,977	53.5%	86.7%
Signature	369	$1,221	609	$2,001	65%	63.9%	699	$2,966	14.8%	48.2%
Astoria	54	$198	412	$1,200	663%	506%	438	$1,100	6.3%	-8.3%
Dime	228	$552	313	$846	37.3%	53.3%	300	$795	-4.2%	-6%
Valley National	44	$144	58	$134	31.8%	-7.4%	138	$408	137.9%	206%
Ridgewood	70	$147	69	$98.52	-1.4%	-32.8%	124	$277	79.7%	181%
Flushing	59	$27.44	82	$43.23	39%	57.5%	94	$58.87	14.6%	36.2%
Apple Bank	54	$175	46	$122	-14.8%	-30.5%	66	$423	43.5%	248%
Emigrant	35	$16.80	41	$13.10	17.1%	-22%	55	$17.00	34.2%	29.8%
Popular Comm.	12	$35.33	32	$52.60	166.7%	48.9%	17	$47.57	-46.9%	-9.6%
Carver	3	$1.68	7	$10.47	133.3%	523%	14	$15.59	100%	48.9%

Equally important to the volume of lending, if not more so, is that the loans are underwritten responsibly. Multifamily lenders must understand the rent-regulation system and how to appropriately underwrite loans within rent regulation so that owners of these buildings are encouraged to preserve affordability and do not harass or evict lower-rent paying tenants in order to drive up the rents.

Responsibly underwritten multifamily loans are:

- Based on actual rental income, and not speculative rents that would only be possible if lower-rent paying tenants were moved out and replaced with higher rent paying tenants.

- Based on realistic and sustainable management and operating expense budgets.
- Made with a Debt Service Coverage Ratio (DSCR) of at least 1.2, based on real rental income and maintenance expenses. The DSCR is the calculation used to determine if a building owner brings in enough income in rents to meet expenses. A low DSCR likely means the loan was made speculatively and based on false projections of higher rents or lower maintenance costs, indicating that the only way to pay off the loan would be to push out lower rent paying tenants and charge higher rents, or else reduce maintenance costs, leading to poor conditions.
- Made to responsible landlords who are committed to maintaining the buildings in good condition and respecting the rights of the tenants.

Loans that do not meet these criteria open the door to a type of discrimination known as "predatory equity." Unlike the practice of redlining that locked people of color out of the housing market, predatory equity investors make loans in communities of color, but base those loans on highly speculative underwriting, typically with DSCR's below 1.2. Such loans have led to the widespread harassment and eviction of low- and moderate-income tenants. In fact, between 2003 and 2007, ANHD research found that private equity-backed developers purchased an estimated 100,000 units of affordable rent-regulated housing – nearly 10% of that housing stock[7]. These loans were made speculatively, using a business model that depended upon high rates of turnover to quickly raise rents, and between 2007 and 2009, incidents of widespread harassment and eviction were rampant. This put pressure on all lenders, including long-standing bank lenders like New York Community Bank, to follow suit in order to compete for business.

In 2008, in the wake of the economic crisis, the underwriting model became financially unsustainable as the real estate market cooled and tenants were educated about their rights by community groups, which also fought to strengthen anti-harassment laws. This situation soon led to a crisis as overleveraged buildings faced financial default, which not only increased displacement pressure on tenants but also often led to severely distressed physical conditions. Landlords then faced pressure to choose between making mortgage payments and neglecting basic building maintenance, and many owners frequently opted to disregard needed repairs. The City is still suffering the consequences of bad loans made prior to the financial crisis where some large portfolios are in or near foreclosure, leaving tenants vulnerable to cutbacks in maintenance and repairs, harassment and eviction.

With 55% of all New Yorkers rent-burdened (paying more than 30% of their income on rent), and nearly half of those paying 50% or more of their income on rent, it is imperative that we preserve rent-regulated units – the most important stock of private, unsubsidized affordable housing. According to the Rent Guidelines Board, the median rent for rent-regulated units was $1,073 in 2012, which increases to $1,573 in Manhattan and $1,083 in Queens[8]. Landlords are limited in how much they can raise the rents in these units for existing tenants, bound by the rent guidelines board's vote each year. For leases that begin in October 2014, the board voted on a historically low increase of just 1% for a one-year lease. However, when a unit vacates, landlords can still raise the rent by 20% - more if they do certain renovations. Further, through "vacancy decontrol," they can take the unit out of regulation entirely if the rent reaches $2,500. This system gives landlords an incentive to try to push out lower-rent paying tenants to more quickly reach that $2,500 mark.

Overleveraging as a purposeful business strategy seems to have slowed down in recent years, likely due to market conditions as well as organized tenants being informed of their rights and increased attention to good lending and code enforcement by the City and regulators. But the market is heating up again and signs indicate that the practice is returning. Both rents and sales prices have been steadily increasing since 2010, with the price per unit at an

[7]ANHD (2009), Predatory Equity: Evolution of a Crisis, retrieved from http://www.anhd.org/resources/Predatory_Equity-Evolution_of_a_Crisis_Report.pdf
[8] Rent Guidelines Board (2014), 2014 Income and Expense study, retrieved from http://www.nycrgb.org/downloads/research/pdf_reports/ie14.pdf

all-time high. In the Bronx alone, the average annual price per unit for residential multifamily buildings was at about $78,000 in 2012 and rose to $90,000 in 2013, which is very close to prices just before the crash[9]. Rents continue to rise as well. Between 2007 and 2011, the median rent rose 8.5%, with rents rising 13% in Manhattan and 9% in Brooklyn. Tenants are particularly vulnerable in rapidly gentrifying neighborhoods, such as Crown Heights, Brooklyn. According to a recent study of apartments on the market, rents in Crown Heights increased more in the past year than any neighborhood in Brooklyn, with average rents going up over 10%, from $1,884 in September 2013 to $2,082 a year later[10]. Tenant advocates report property manager BCB Realty as being particularly aggressive in the neighborhood, as evidenced by tenant struggles at 1059 Union Street, as well as 1153 and 1159 President Street which they purchased in 2013. The mortgages appear well over what the current rent rolls can support. According to one report, the $5 million mortgage on the Union Street building where the majority of tenants are rent-regulated is well over its value at only $1.8 million[11]. In order to make a profit, they would need to move out the lower-rent paying, rent-regulated tenants in order to quickly raise the rents and remove the units from rent-stabilization entirely. In this case, management offered tenants money to leave. Those apartments that were vacated by tenants who accepted a buyout were renovated immediately. Many tenants realized how little they could do with the money, especially if they wanted to stay in Crown Heights and refused the offer. When those same tenants made requests for repairs to ameliorate long-neglected conditions, those requests were ignored or denied[12]. **All lenders – particularly banks that focus on rent-regulated housing – must ensure that the loans are made responsibly so tenants' rights are respected and rents remain affordable.**

In 2012 and 2013, the larger multifamily lenders in this study, like New York Community Bank, Signature, and Dime were still active. Capital One and Chase are now well established in the market, on par with these lenders. Chase actually made the second highest volume of loans in 2012 overall, followed by Signature, Astoria, Dime, and Capital One. Ridgewood and Astoria, which have long histories of multifamily lending, made big increases in 2012. Astoria reentered the market in mid-2011 after halting its lending for a few years; going from 54 loans in 2011 to 438 in 2013. Ridgewood's lending remained stable in 2012 with 69 loans and jumped to 124 loans in 2013. Surprisingly, Bank of America has emerged as a significant multifamily lender, reaching 165 loans in 2013.

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[9] UNHP (2014), presentation from "Multifamily Assistance Center and Building Indicator Project Lender Meeting"
[10] MNS Real Estate (2014), Brooklyn Rental Market Report, retrieved from http://www.mns.com/pdf/brooklyn_market_report_sep_14.pdf
[11] Gupta, S., "Crown Heights: The Good, the Bad, and the Buyouts", The Brooklyn Ink, August 28, 2014
[12] Blau, R. "Crown Heights tenants battle to survive in rent-stabilized units as building slowly converts to luxury rentals", The NY Daily News, August 26, 2014.

THE HOME MORTGAGE DISCLOSURE ACT (HMDA) – CURRENT AND FUTURE

The federal Home Mortgage Disclosure Act (HMDA) of 1975 is one of the most important tools the government and the public has to analyze the home mortgage market. Through HMDA, we can evaluate residential lending overall and by individual lender to better understand who is, and isn't, getting access to credit and identify patterns of discrimination. HMDA data is available down to the census tract, enabling the public to evaluate the market at a very local level.

Under HMDA, most bank and non-bank lenders must disclose a wide range of information regarding their mortgage lending activity:

- Loan data: property type (1-4 family, multifamily, manufactured housing), loan purpose (home purchase, refinance, home improvement), property location (census tract, including median income level and demographics), and if the loan was a "high-cost" or subprime loan.
- Applicant data: race, ethnicity, income, and gender of each applicant and co-applicant.

HMDA has enabled governments and communities across the country to identify patterns of discrimination as well as unmet credit needs. However, the law also has limitations that are now being addressed. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 stipulates certain improvements and allows latitude for others. The Consumer Financial Protection Bureau (CFPB) is tasked with writing the rules to expand the data collected under HMDA. They officially issued a set of proposed regulations in August 2014 and are expected to finalize them by early 2015.[13]

ANHD has been working with advocates nationwide to call for broad improvements to HMDA, including:

- Better evaluate which multifamily loans support affordable housing by capturing the number of units in the building and how many units are affordable to low- and moderate-income tenants.
- Make MECA/CEMA refinance loans HMDA-reportable. These transactions don't meet the technical definition of a refinance, but are very often used in lieu of traditional refinance loans in New York State in order to lower the recording taxes. Their exclusion leads to a vast underreport ing of the market, especially the larger dollar multifamily loans.
- Expand the number of banks required to report HMDA data. Current regulations exempt banks that do not make any 1-4 family loans and non-bank lenders that make fewer than 100 loans. This excludes the bank multifamily lenders banks that do not make any 1-4 family loans, which exacerbates the issue of under-reported multifamily loans in HMDA.
- Better facilitate fair lending analysis by including more detailed information on borrowers' credit scores, age, language, and race.
- Make public vital data on underwriting, and improve disclosure of loan terms and pricing.
- Add data on home equity loans, home equity lines of credit, and reverse mortgages.
- Indicate if the loans are Qualified Mortgages (QM) or Qualified Residential Mortgages (QRM).
- Make all the data available sooner, including the new categories, starting with those that have no privacy implications. Make it easier for the public to use.

The proposed CFPB regulations include some, but not all of these recommendations. ANHD and others submitted comments to ask that all be included.

[13]Federal Register Vol 75, No 168, Part IV, Bureau of Consumer Financial Protection 12 CFR Part 1003, Home Mortgage Disclosure Regulation C); Proposed Rul

TABLE 22

HIGHEST PERCENTAGES OF MULTIFAMILY LOANS IN LOW AND MODERATE-INCOME TRACTS*

2012					2013				
	# in LMI tracts	$ in LMI tracts	% LMI Tracts (#)	% LMI Tracts ($)		# in LMI tracts	$ in LMI tracts	% LMI Tracts (#)	% LMI Tracts ($)
Largest Banks									
Capital One	240	$459	62.2%	53.3%	Capital One	191	$439	51.2%	38.7%
Chase	278	$681	48.8%	47.5%	Chase	267	$617	44.7%	35.5%
Bank of America	32	$14.14	20.7%	18.9%	Wells Fargo	11	$167	36.7%	25.7%
					Bank of America	47	$30.83	28.5%	29.2%
Smaller Banks									
Flushing	50	$27.93	61%	64.6%	Carver	10	$10.82	71.4%	69.4%
Popular Community	19	$30.39	59.4%	57.8%	Signature	479	$1365	68.5%	46%
Ridgewood	39	$56.16	56.5%	57%	Popular Community	11	$37.07	64.7%	77.9%

* Excludes banks making fewer than 10 loans

Among the larger volume multifamily lenders, Capital One made the highest percentage of loans in lower-income tracts (62%) in 2012. NY Community Bank and Signature made over half of their loans in LMI tracts, while Chase and Astoria were closer to 46%. In 2013, Signature's percentage rose to nearly 70%. On the other hand, the fifth largest lender by volume, Dime, made just a third of its loans in lower-income tracts. We now also inquire about multifamily loans for which banks seek CRA credit as a community development loan. These are typically buildings (deed-restricted or not) where over 50% of the units are affordable to lower-income tenants, but they may also get CRA credit if the building is otherwise determined to contribute to neighborhood stabilization or provide another community service. The numbers offer some insight into which banks focus more on affordable rent-regulated buildings than others (see table 23). For example, Signature, NY Community Bank, Ridgewood, and Apple count well over one third of their multifamily loans as community development loans. In 2012, the percentage was at or above 40% for Signature and NY Community Bank; in 2013, and Ridgewood, too, exceeded 40%. For Capital One, the percentages were 24% and 14% in 2012 and 2013, respectively. Yet for Chase, the percentage was 11% in 2012 and 13% in 2013. While Bank of America's volume was low (2.5% in 2012 and 4.24% in 2013), the loans were large, making up 48% of all multifamily dollars in 2012 and 70% in 2013. In practice, most of a bank's multifamily affordable housing loans are for rent-regulated buildings, thus highlighting how critical these banks are to preserving this stock of housing. The lower volume of community development loans for banks like Chase and Bank of America could mean they are not putting as many resources into affordable rent-regulated buildings, or conversely that they get their "CRA credit" in other areas and don't track this data. While we certainly value that they seem to be putting forth more intentional deals for CRA credit, we want banks and regulators paying attention to buildings where rents are more affordable to lower-income New Yorkers, regardless of whether or not it gets CRA credit.

The quality of these loans is especially important given their community development purpose. The NY State Department of Financial Services has taken an important step with its new regulations finalized in June 2014: **loans that result in a loss of affordable housing or poor conditions will not get Community Development credit on CRA exams. All federal regulators should follow this lead.**

Regardless of CRA credit, rent-regulated units are likely to be more affordable than market-rate units and all rent-regulated units afford tenant protections that go beyond affordability. Once a unit is taken out of rent-regulation,

it never returns. Predatory lending can result in a permanent loss of affordability and tenant protections. While the best information is first-hand stories from tenants, we have data to identify buildings where conditions might warrant a closer look. One source is the Building Indicator Project (BIP), developed by the University Neighborhood Housing Program (UNHP). The BIP database lists every privately owned residential multifamily building in the City and the lender, owner, and management company on record. Each building receives a "BIP Score," based on a combination of violations, liens, and fines. A BIP score of 800 or more means the building is likely to be in physical and/or financial distress. A second source is the Public Advocate's Worst Landlord list, which identifies landlords that evidence patterns of neglect.

TABLE 23

HIGHEST PERCENTAGES OF MULTIFAMILY LOANS QUALIFYING FOR CRA CREDIT AS COMMUNITY DEVELOPMENT LOANS ($ IN MILLIONS)

2012 Multifamily CD Loans						2013 Multifamily CD Loans				
	# MF CD loans	$ MF CD loans	% CD (#)	% CD ($)			# MF CD loans	$ MF CD loans	% CD (#)	% CD ($)
Largest Banks										
TD Bank	8	$29.92	72.7%	89.4%		Wells Fargo	6	$68.42	20%	10.5%
Capital One	94	$460	24.4%	53.4%		M&T	13	$84.07	18.6%	9.6%
M&T	13	$88.38	16.3%	9.1%		Capital One	52	$360	13.9%	31.7%
Citibank	1	$11.26	11.1%	32.2%		Bank of America	7	$74.41	4.2%	69.5%
						Citibank	1	$0.84	8.3%	11.1%
Smaller Banks										
Carver	5	$9.12	71.4%	87.1%		Apple Bank	38	$87.16	57.6%	20.6%
Popular Community	19	$42.49	59.4%	80.8%		Popular Community	8	$23.53	47.1%	49.5%
Apple Bank	24	$30.33	52.2%	24.9%		NY Community	530	$2441	46.5%	40.8%
NY Community	363	$1476	48.9%	46.1%		Ridgewood	52	$96.59	41.9%	34.9%
Signature	243	$548.18	39.9%	27.4%						

When using the BIP database, we find it useful to look at both the at-risk buildings and units in a bank's portfolio (buildings financed in the past 10 years) to get a picture of the number of buildings and people potentially impacted by the building's conditions. A small number of large buildings could impact more people, but a large number of small buildings at-risk is also problematic. Table 24 shows the lenders in this study with the highest percentage of buildings or units at risk. As of October 2014, among the larger banks, Wells Fargo has the highest percentage of buildings at risk of distress (5.9%), and that drops to 0.7% of units, indicating a larger number of smaller buildings at risk. While Flushing has one of the highest percentages of units likely in distress, that is still only 1% of its portfolio. NY Community Bank has just 26 buildings (.67% of their portfolio) at risk of distress, with 981 units.

The lower BIP scores overall are promising, indicating that the City's targeted code enforcement efforts, coupled with successful organizing by community organizations, are having an impact. But like any database, it's only as good as the data we have. For one thing, it also won't catch buildings in disrepair where tenants don't know their rights and haven't reported violations to HPD. City Limits reporters visited Flushing buildings which in fact had low BIP scores, but where it was evident that tenants were not getting needed repairs. "Tenant complaints filed with HPD over the past year range from roaches and mice to more dangerous conditions like unsafe wiring and lead paint. According to tenants, Evita Realty Corp. is slow at making repairs.[14] It must also be noted that BIP isn't designed

[14] Newfield, J. "New Push For Banks to Monitor Building Conditions", City Limits, February 19, 2014

to identify other harmful practices, such as tenant harassment, overleveraging and note sales. Lower BIP scores among traditional lenders could also indicate that landlords are successfully either harassing tenants out before the building falls into distress or else selling troubled debt to other lenders or servicers. For example, a non-bank lender, LNR, has 31 buildings with BIP scores over 800 and that represents over 1,300 units.

Other trends in BIP are worth noting as well. For example, buildings are more likely to be in physical distress if they have a ratio of B&C violations issued to units of 1.5 or higher. These are violations issued by the City's Department of Housing, Preservation, and Development (HPD) for hazardous conditions in an apartment. As of October 2014, 25% of the buildings in Signature's portfolio (18% of units) meet these criteria, but looking only at the violations issued in the previous year, that drops to 3.3% of buildings and 2% of their units, still one of the higher percentages. Capital One and Chase each have over 16% of their buildings with a 1.5:1 ratio of total violations to units, representing over 13,800 units of housing, which drops to 1.6% when looking only at the previous year, but still over 1,100 units. Flushing once again has one of the higher percentage of buildings likely in distress by any measure with 23% of its buildings overall and close to 3% of buildings with recently-issued violations.

The Public Advocate's Worst Landlord list is another indicator of banks making loans that can have a destabilizing impact on the community. Using BIP, we were able to see which banks are financing the most buildings on the Worst Landlord list. Robin Shimoff - the daughter of notorious Bronx landlord Jake "The Snake" Selechnik - is a prime example. As reported in the *Daily News*,[15] Ms. Shimoff "has a whopping 3,352 violations on her 13 properties, a dubious distinction that earned her the top spot on the bad landlords list." We learned that Signature Bank recently financed 11 of these 13 buildings.

TABLE 24

ANALYSIS OF BIP DATABASE (OCTOBER 2014) EXAMINING INDICATORS OF POTENTIAL DISTRESS FOR BUILDINGS FINANCED IN PREVIOUS 10 YEARS

Highest percentages of buildings and units with BIP score greater than 800 indicating the building is likely in physical and/or financial distress						
	Total	# Units	# bldgs >800	% Bldgs	# Units > 800	% Units
Largest Banks						
Wells Fargo	372	25934	22	5.9%	169	0.7%
Citibank	161	6870	5	3.1%	139	2.2%
HSBC	197	4312	5	2.5%	154	3.6%
Bank of America	361	12908	6	1.7%	173	1.3%
Capital One	1698	60850	21	1.2%	811	1.3%
Smaller Banks						
Popular Comm.	143	2243	4	2.8%	160	7.1%
Valley National	307	14334	7	2.3%	48	0.3%
Signature	1747	47591	26	1.5%	551	1.2%
Flushing	1478	22780	16	1.1%	285	1.3%
Ridgewood	290	5132	2	0.7%	76	1.5%
Wholesale						
Deutsche Bank	171	12839	9	5.3%	261	2.3%
BNY Mellon	168	8411	3	1.8%	20	0.2%

Highest percentages of Buildings/units with 1.5:1 Ratio of B+C violations to units: All violations filed and violations issued in the previous year								
	All Violations				Violations issued in prev. yr			
	# Bldgs	% Bldgs	# units	% Units	# Bldgs	% Bldgs	# units	% Units
Largest Banks								
HSBC	59	29.9%	399	9.3%	4	2.0%	27	0.6%
Wells Fargo	89	23.9%	650	2.5%	19	5.1%	134	0.5%
Citibank	31	19.3%	298	4.3%	2	1.2%	11	0.2%
Chase	517	18.5%	7173	10.3%	47	1.7%	576	0.8%
Capital One	279	16.4%	6655	10.9%	27	1.6%	524	0.9%
Smaller Banks								
Signature	439	25.1%	8581	18.0%	58	3.3%	954	2.0%
Carver	15	23.4%	139	16.8%	0	0.0%	0	0.0%
Flushing	330	22.3%	3928	17.2%	39	2.6%	380	1.7%
Ridgewood	58	20.0%	700	13.6%	6	2.1%	120	2.3%
Emigrant	42	19.4%	374	19.5%	6	2.8%	37	1.9%
Wholesale								
Goldman Sachs	2	25%	15	5.3%	1	12.5%	7	2.5%
Deutsche Bank	29	16.5%	292	2.2%	3	1.7%	25	0.2%
BNY Mellon	25	13%	367	4%	3	1.6%	18	0.2%

[15] Slattery, D., Fermino, J., "Notorious Bronx landlord's daughter earns top spot on bad landlords list", NY Daily News, October 8, 2014

No public data exists to indicate an overleveraged building that hasn't yet fallen into distress, which is one of the most serious threats to the more affordable rent-regulated housing. A speculative loan that moves out lower-rent paying tenants and brings in tenants paying higher rents might be in good condition, but ultimately becomes unaffordable to local residents. This is why it is critical that regulators look at the Debt Service Coverage Ratio to ensure that loans are made based on the real rents and maintenance expenses of the building.

Most important is that banks take positive steps to address issues of concern. All lenders, especially those with rent-regulated buildings, should ensure that landlords maintain the buildings in good condition and preserve their affordability. When that doesn't happen, lenders should do everything possible to transfer distressed assets to responsible owners who will keep the units permanently affordable. The First Look Program designed by ANHD, HPD, and New York City Council leadership provides a means to do just that. Through this program, the bank gives a community-minded developer recommended by ANHD and HPD an early and exclusive opportunity to buy foreclosed rent stabilized buildings or the distressed mortgages on those buildings. In return, ANHD and its members promise an orderly process that is sensitive to the private-market timetable that the banks need.

We know what First Look can accomplish when lenders work collaboratively with HPD, community-based organizations and the City's new Preserving City Neighborhoods (PCN) program to replace bad landlords with community-based nonprofit developers. Buildings go from being unstable community problems to long-term community assets.

[15] Slattery, D., Fermino, J., "Notorious Bronx landlord's daughter earns top spot on bad landlords list", NY Daily News, October 8, 2014

FIRST LOOK PROGRAM: A COMMONSENSE APPROACH TO HOUSING PRESERVATION

ANHD has long emphasized that banks must engage in responsible multifamily lending by making loans to responsible landlords and underwriting these loans based on realistic income and expense projecions. In fact, we have seen some improvement in lending over the past few years. However, there will always be bad landlords and, despite the improvement, banks are lending to them. And, even with the best of intentions, some loans will go bad, especially for banks that do high volumes of lending.

ANHD and HPD developed the First Look program to identify such cases and transfer the distressed property to a preservation minded developer. Under the program, participating banks will routinely review their portfolios to identify buildings that might be good candidates for preservation because they are in significant physical and financial distress and the bank is foreclosing or considering selling the note. ANHD may also learn of problem buildings from its member community organizations that have staff on the ground listening for incidents of distress and harassment.

Instead of the bank foreclosing and selling the building to a private landlord, or selling the note to another bank or investor, the First Look program seeks to break the cycle of distress in a time-sensitive, market-driven manner. Here's how it works:

- Identify potential borrowers: When a building is identified, HPD and ANHD identify potential buyers for the building from HPD's well-vetted list of qualified nonprofit and for-profit developers that are committed to preserving affordable housing.
- Negotiation: Participating banks commit to engaging in conversation with the developer(s), ANHD, and HPD about purchase options. In a time-sensitive market-driven manner, typically over two weeks, the parties quickly come to an agreement as to whether or not the deal can move forward. If not, the bank is free to sell to whomever they choose.
- Make the deal: When a price is agreed upon, the transfer is done through the conduit of HPD's Preserving City Neighborhoods (PCN) program. PCN facilitates the transfer by buying the distressed buildings or distressed notes, taking the building through foreclosure, and facilitating the sale to the developer.

Three banks are actively participating in the program, with others exploring it as well. New York Community Bank's participation led to the first successful outcome in the Bronx where a severely distressed property was transferred to Banana Kelly CIA, giving the tenants a responsible landlord that maintains the building in good condition, and the peace of mind that comes with knowing their home will be secure and affordable for the long term.

BRANCHES

Trends

- The total number of branches remains relatively stable across the City, but the distribution remains inequitable, with core Manhattan inundated with branches, while lower-income neighborhoods in the Bronx, Brooklyn, and Queens still lack sufficient branches and ATMs.
- Some of the largest banks are improving their overdraft policies with better disclosures and fewer ways to overdraft. However, basic overdraft fees remain close to $35 at most banks, with many also charging monthly maintenance fees that can be difficult to avoid. We are seeing a positive new trend towards "checkless checking accounts" and other products that do not allow for overdrafts. While these accounts still charge $5 - $10 monthly fees, they are much more transparent and customers are much less likely to be surprised by other fees.

Recommendations

- Branches still matter: Branches are an important point of entry for low- and moderate-income people, immigrants, and seniors, to open and access accounts and other financial services, such as home and business loans. Banks need to open more branches in underserved low- and moderate-income neighborhoods
- Every bank should offer a safe, affordable bank account targeted towards low- and moderate-income people that offer: low fees and minimum balances; no overdrafts; accept alternate forms of ID; allow people with prior banking issues a way to reenter the banking mainstream. The account must be widely advertised promoted, and actually used by underserved populations. All banks should accept the new NYC Municipal ID.
- Banks should also be competing to meet the needs of lower-income and immigrant communities through partnerships with nonprofits and the City; language and cultural competency; variable hours; and financial product such as small dollar loans, credit builder products, remittances, and home and small business loans.

When the CRA was first written in the 1970's, many banks refused to invest in low-income communities and neighborhoods of color. At that time, community groups fought to get banks to simply open branches in low-income communities, which would go a long way towards increasing access to banking and credit. Today, however, access to banking and credit is more complicated. For one thing, customers have many different ways to access bank accounts and loans outside of physical branches. At the same time, these products have become more complex and for some, more expensive and difficult to access.

To be clear, physical branches remain important as many neighborhoods still lack a branch. Studies show that increasing bank branches has a direct, positive, impact on small business lending and can lead to individual wealth-building through opening savings accounts and establishing credit history. The absence of branches opens the door to predatory businesses such as check cashers[16]. New studies as well show that low-income people of color still rely upon the presence of bank branches – preferably near their home or work – to conduct financial transactions[17]. For this reason, the trends are concerning.

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[16]Silver, J. & Pradhan, A. (2012, April): "Why Branch Closures are Bad for Communities", Issue Brief by the National Community Reinvestment Coalition: http://www.ncrc.org/resources/reports-and-research/item/729-issue-brief-why-branch-closures-are-bad-for-communities
[17]Alliance for Stabilizing our Communities (2014), Banking in Color: New Findings on Financial Access for Low- and Moderate-Income Communities, http://www.nationalcapacd.org/sites/default/files/u7/banking_in_color_report_final.pdf

From June 2011 to June 2013, just one branch opened in the Bronx and two closed. TD Bank should be commended for opening a branch in a moderate-income area of the Bronx. However, HSBC closed two branches, leaving further gaps in financial services in an area already lacking sufficient access to banks and even ATMs.

Branches increased from 1,403 to 1,416 in 2012 and up slightly to 1419 in 2013. In LMI census tracts, branches increased 0.7% from 2011 to 2012 (403 to 406), and remained unchanged in 2013. It must be noted, though, that 2011 data used the 2000 census tracts and 2012 uses 2010, making it difficult to compare the two years, except to note that some tracts may have changed definition.

The average percentage of branches in low-income tracts remained at about 8% and just over 30% in low- and moderate-income tracts. ANHD has long recommended that 25% of a bank's branches be in low- and moderate-income tracts and 10% in low-income tracts in particular. In 2013, 12 of the 20 retail banks met the first benchmark and only five met the second. In 2012, Emigrant also met both, but they sold most of their branches to Apple in 2013, which continues to demonstrate a good distribution of branches. While many of the largest national banks meet the first benchmark, only one of them met the low-income benchmark: 10.5% of Bank of America's branches are in low-income tracts. Chase and HSBC each have over 8%, but HSBC's presence has been diminishing over the years. Using 2010 census data, HSBC closed five branches in 2012 in moderate-income census tracts. Only 3.5% of Capital One's 151 branches are in low-income tracts. Wholesale banks don't have retail branches.

Chase has the largest branch network with about 380 branches in the City, 28% of which are in lower-income neighborhoods. Citibank's branch presence increased the most by 12 branches in 2012, followed by TD Bank which went up by seven. One of Citibank's new branches was in a moderate-income census tract in Brooklyn, but in an area that already has quite a few banks. TD Bank's branch openings continued to increase, up by another 13 branches as of June 2013, matching a 2012 goal to increaser branch presence by over 50% in the City. By 2013, the bank had 4 more branches in low-income census tracts. As of June 2013, TD had still not reached the 25% benchmark and we hope it takes the

TABLE 25

HIGHEST PERCENTAGES OF BRANCHES IN LOW- AND MODERATE-INCOME (LMI) CENSUS TRACTS

2012	# LMI	% LMI	2013	# LMI	% LMI
Largest Banks					
Bank of America	40	35.7%	Bank of America	40	35.1%
Chase	109	28.4%	Chase	108	28.5%
HSBC	29	27.4%	HSBC	28	27.5%
Smaller Banks					
Popular Comm.	20	62.5%	Popular Comm.	20	62.5%
Carver	6	60.0%	Carver	5	50.0%
Apple Bank	18	52.9%	Apple Bank	23	44.2%

TABLE 26

HIGHEST PERCENTAGES OF BRANCHES IN LOW-INCOME (LI) CENSUS TRACTS

2012	# LI	% LI	2013	# LI	% LI
Largest Banks					
Bank of America	12	10.7%	Bank of America	12	10.5%
HSBC	9	8.5%	HSBC	9	8.8%
Chase	31	8.1%	Chase	31	8.2%
Smaller Banks					
Popular Comm.	8	25.0%	Popular Comm.	8	25.0%
Flushing	3	20.0%	Flushing	3	20.0%
Emigrant	4	19.0%	Apple Bank	9	17.3%

steps to get there. Wells Fargo's deposits increased 21% from 2011 to 2013. It still has just one branch in a low-income tract, but likely due to the census tract changes, it now has 3 branches in moderate-income tracts. This puts Wells Fargo closer to the 25% goal of branches in LMI tracts, but still below the 10% goal of low-income tracts. Given the deposit increase and the amount of business Wells Fargo does with the City and loans to City residents, it has a responsibility to serve low- and moderate-income New Yorkers through the presence they do have.

Simply looking at the overall percentage of branches in lower-income tracts can mask barriers to banking. Branches are not distributed equitably, with many concentrated in mid- and lower Manhattan and few in the outer boroughs. The Bronx and Brooklyn have nearly 50% of the City's population, yet only 30% of the branches, and many neighborhoods have none at all.

The 2013 FDIC study of unbanked and under-banked households nationwide shows that one in four households are either unbanked or under-banked and the percentages are much higher for Black and Latino households. New York City's Office of Financial Empowerment (OFE) estimates that over 825,000 adult New Yorkers are unbanked and more are under-banked, relying solely or partly on fringe banking services like check cashers that charge high fees and do not offer a safe, affordable way to save money and pay bills[18]. The percentage of unbanked households is highest in the Bronx (29%) and Brooklyn (16%).

TABLE 27
EXAMPLES OF BRANCH DISPARITIES IN NEW YORK CITY NEIGHBORHOODS

FDIC 2014, mapped using: @2015 Google - Map Data @2015

Large Sections of the Bronx	**Bedford-Styvesant, Bushwick, East New York in Brooklyn**	**Parts of Northwestern Queens**	**Midtown, down to lower Manhattan is inundated with branches**

Branch presence is important, but that alone is not enough. CRA exams continue to focus almost exclusively on the number of branches in low- and moderate income communities, with some ancillary discussion of hours of service and types of products offered, but little benchmarking in that area and not much beyond it. People are typically kept out of the banking system because of costs and fees, lack of identification, and previous banking issues reflected in databases like ChexSystem. Regulators must look at the products offered and their impact, including the availability of low-cost bank accounts without high and hidden fees, equal access for immigrants, outreach and flexibility to truly reach unbanked and under-banked people, and finally, how those products are marketed and utilized. We hope the finalized Q&A's put more emphasis on the use and effectiveness of branch products just as much, if not more, than alternative delivery systems.

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[18] http://www.nyc.gov/html/dca/html/pr2010/pr_022510.shtml

Several recent studies of banking practices, particularly among low- and moderate-income people and people of color, reveal just how far the banking industry has to go to responsibly deliver financial products that meet the needs of these populations. Studies include The Alliance for Stabilizing our Communities' 2014 report, Banking in Color: New Findings on Financial Access for Low- to Moderate-Income Communities; the University Neighborhoods Housing Program's 2014 study Bronx Financial Services Survey Report; and three Pew Charitable Trusts reports from 2013 and 2014: Checks and Balances Report, Overdrawn: Consumer Experiences with Overdraft, Consumers Continue to Load Up on Prepaid Cards. Together, the studies came up with a number of recurring themes:

- **Unbanked:** About 20% of more vulnerable populations – low-income, unemployed, immigrants and noncitizens, and people of color – are unbanked or under-banked. This is well above the estimated rate of 8% of the population as a whole. A UNHP survey of low-income Bronx residents found 22% to be unbanked[19]. The Banking in Color study, which focused on LMI Hispanic, Asian, and African American immigrants and citizens found 19% to be unbanked, which increases to 30% for people in families earning less than $20,000 per year[20].
- **Banked people still rely upon alternative financial services (AFS):** Banking in Color, Bronx Financial Services, and the Pew Prepaid debit card studies all demonstrate that people with bank accounts are also using AFS providers for banking needs. For banked respondents in the Bronx study, 15% also used pawn shops; 29% used prepaid cards, and 29% used check cashers. The Pew prepaid debit card study found that the majority of prepaid card users have or once had a bank account. The Banking in Color survey found that 23% of banked respondents used a prepaid card, 18% used a check cashing service and 10% used a pawn shop.
- **High and hidden fees remain a challenge for the banked and unbanked:** 51% of the respondents in the Bronx survey cited the cost of banking as the most important factor in choosing a bank, with many harboring a high distrust of traditional banking. The Banking in Color study found similar trends - one third identified fees and balance requirements as the most significant factor in choosing a financial institution. Pew's recent prepaid card study reveals that the top reasons people use prepaid cards include avoiding credit card debt, spending more than they have, and overdrafts. A June 2014 study by the CFPB found that people who opt into overdrafts on ATM and debit cards pay an average of $21.61 per month ($260/year) in overdraft fees, versus $2.98 ($36/year) for those who don't[21]. They also found that average monthly fees were higher across the board, including ATM and maintenance fees.
- **Branches matter.** Respondents in both the Bronx Financial Services and Banking in Color surveys referred to the importance of branches and customer service. In the Banking in Color survey, proximity to a branch and the number of branches and ATMs were the most important factors in choosing a bank. Customer service was also among the top priorities. While only 18% of the Bronx respondents ranked proximity to branches as the top factor in choosing a bank, that may be a result of living for decades without having a bank in their neighborhood, whereas check cashers are abundant and typically offer more personable, friendly service than a bank.
- **Immigrants and people of color face additional challenges:** The Banking in Color survey offers a unique perspective among people of various races, ethnicities, and national origin, some of which echo earlier studies of immigrants and banking in NYC. US Citizens were more likely to have a bank account than foreign-born respondents (84% versus 74%). The use of a bank account increased with the number of years in the country up to 40 years, and then dropped down again, likely reflecting challenges immigrant senior citizens face in accessing banking. Hispanics showed the same trend, but overall they had a higher rate of unbanked respondents than other nationalities, regardless of length of time in the country.

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[19] University Neighborhoods Housing Program (UNHP) (2014), "Bronx Financial Services Survey Report"
[20] The Alliance for Stabilizing our Communities (ASOC) (2014) "Banking in Color: New Findings on Financial Access for Low- to Moderate-Income Communities"
[21] Bakkar, T., Kelly, N., Leary, J., Nagypál, É.; (2014), Data Point: Checking account overdraft, published by the CFPB, retrieved from http://files.consumerfinance.gov/f/201407_cfpb_report_data-point_overdrafts.pdf

- **Financial services**: Low- and moderate-income people and immigrants also seek other financial services, such as remittances, small dollar loans, access to checks, and financial counseling.
- **Desire to save:** In all studies, people had a desire to save for a better future, be it a home, retirement, education, and a safety net. Prepaid customers, for example, would like a way to connect to a bank savings account, without being drawn into an account with overdrafts.

The FDIC study revealed that while most unbanked and under-banked people do not have computers, they do have cell phones and smart phones, opening up an opportunity to reach these customers in creative ways. But, we cannot lose site of the fact that fully 35% of underbanked households and nearly 70% of unbanked households do not have a smart phone and only 23% of banked households used mobile banking. If used at all, it must be coupled with education, outreach, and **robust security and privacy measures.** The Banking in Color survey revealed that 59% of respondents have internet access on their phone, but only 14% use mobile banking, with a third citing privacy and security concerns.[22]

The most basic checking products continue to vary among banks in regards to how to open an account, monthly maintenance fees and how those fees can be waived, and additional fees associated with the accounts. New York State law requires all state-chartered banks to offer a "Lifeline Account" which is a basic checking account with low monthly fees, no minimum balance and the ability to do some transactions (write checks, withdraw money) for free each month. Many of the state-chartered savings banks offer accounts with no monthly fees. Two national banks, Santander and HSBC, also provide similar lifeline accounts for $3 per month. The options at the national commercial banks are limited, with few options for working class adults.

In the Bronx, over 30% of all bank branches are Chase where the most basic checking account costs $12 per month which can only be waived with direct deposits, a monthly average balance of $1,500, or if the customer pays $25 or more in fees (overdrafts cost $34). We do recognize that Chase offers a prepaid debit card (Chase Liquid) for $4.95 per month ($59 a year). Given the lack of regulation of prepaid debit cards and the preponderance of high and hidden fees, this is a good alternative product with a transparent fee structure, FDIC insurance, no overdraft fees, and access to branches. While it is not a bank account and does not allow for any check-writing (paper or online), Chase has demonstrated that half of the new-to-Chase customers that chose the Liquid card were previously unbanked or under-banked, and through a positive relationship with the bank, could possibly move into more mainstream products.[23] Basic checking accounts at the other major banks are similarly expensive. Of the national banks, Capital One and TD have the lowest minimum balance to waive the fee ($350 and $100, respectively) versus $1,500 at the Big Four banks.

Banks charge other fees, such as for money orders, remittances, and overdrafts. Overdrafts average about $35 per incident, with some banks charging additional fees for accounts overdrawn for extended periods of time. M&T Bank charges the most ($38.50). Chase, Wells Fargo, Capital One, TD Bank and M&T Bank don't charge for overdrafts below $5, HSBC below $10. Some of the smaller banks also follow this practice. Regulations now require banks to decline overdrafts on ATM and one-time debit card transactions unless the customer opts in, but that has done little to curb fees. According to the Pew Charitable Trust, most Americans prefer their transactions be declined than pay overdraft fees[24]. While more banks are now clearly disclosing their fees and practices, that is much less so for the smaller banks in our study, and not nearly enough banks of all sizes have adopted **Pew's best practices**: 1) No

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[22] Ibid (15)

[23] Wilk, J. "Chase Liquid" presentation, FDIC Advisory Committee on Economic Inclusion (ComE-IN) Meeting, May 13, 2013, https://www.fdic.gov/about/comein/2013/2013-05-16_presentation_wilk.pdf

[24] May 2012, "Overdraft America", published by the Pew Charitable Trusts, retrieved from http://www.pewtrusts.org/news_room_detail.aspx?id=85899384415

overdrafts on ATM withdrawals; 2) No overdrafts on debit card transactions; and 3) no reordering of transactions (reordering transactions from highest to lowest increases the chance of multiple overdraft fees). A recent study shows disparities in how overdrafts are explained and marketed, often steering low-income people of color into higher-cost options[25]. Of the national banks, only Citibank has adopted all three best practices listed above, but others have adopted at least one. Most large banks in our study meet at least three of the four Pew "good practices": 1) limited reordering of transactions; 2) no extended overdraft fee; 3) setting a threshold before an overdraft fee occurs; and 4) limited number of overdraft fees per day. Bank of America, Signature and TD Bank adopted two and Santander just one (up from zero in 2012). Most banks offer overdraft protection, but they depend on having funds in another account or credit approval, and still charge a fee to use, albeit lower than a basic overdraft fee.

Recently, we are seeing a new trend of "checkless" checking accounts (online bill pay, but no paper checks) among some of the larger banks. These have no overdrafts at all, similar to what some online banks offer, but provide full access to the bank branches, ATMS, and customer support.

- Bank of America SafeBalance costs $4.95 per month, which can be opened online or in a branch. It offers a debit card and online bill pay and will not charge overdrafts.
- Citibank Access Account charges $10 per month, which can be waived through setting up direct deposit, paying one bill pay online per month, or maintaining a $1,500 minimum balance. It also offers a debit card and online bill pay and will not charge overdrafts.

Chase also has their prepaid Liquid card for $4.95 per month. Again, this is not a checking account, which means no paper or online checks, but it too is a branch product that does not charge overdrafts. This also provides a simple way for people to enter or reenter the banking mainstream, including people who are in ChexSystem or similar databases.

Government, banks, and community organizations have tried a variety of strategies to reach the unbanked and underbanked. Carver Bank is mission-driven to serve lower-income populations and participates in city initiatives. Popular Community Bank and Apple offer "credit builder" loans to help people build and repair credit. A number of banks, including Capital One and Popular Community, offer secured credit cards as another means to build and repair credit. Popular Community's and Astoria's are the most affordable option ($20 per year versus $29-$39) and Bank of America's is one of the most expensive at $39 per year. Carver has a suite of products to bring people into the bank, such as discounted check cashing and money orders, a prepaid debit card, and financial counseling. Citibank, Capital One, Ridgewood and M&T, among others have partnered with the City and nonprofit organizations to make banking available to more New Yorkers.

The State's Banking Development District (BDD) program uses subsidized deposits to encourage banks to open branches and contribute to economic development in underserved neighborhoods. The program has had mixed results, but the goals are admirable and the potential exists to improve upon it to better contribute to the stability of the neighborhood through loans and services.

Other initiatives lower barriers to banking. For example, many banks allow undocumented immigrants to use alternate forms of identifications, such as consular cards, foreign passports, and tax ID numbers, to open an account. However, this is not offered at all banks and, even where it is, we still hear stories of people being turned

[25] How Banks Sell Overdrafts", 8/1/2014, by Woodstock Institute, New Economy Project, California Reinvestment Coalition, Reinvestment Partners, retrieved from http://www.woodstockinst.org/research/how-banks-sell-overdraft-results-overdraft-mystery-shopping-four-key-states

away because the teller didn't understand the process. This should be universal and fully understood by all branch staff. Also, as banks move towards more online accounts, some require a social security number to do so, which can cut off undocumented immigrants from accessing these accounts. The same may be true for overdraft protections that operate like a credit card. We look forward to the **implementation of NYC's Municipal ID and encourage banks to remain at the table to ensure it becomes a meaningful way for more immigrants to access mainstream banking.** The City has created models that other cities and employers could follow by making direct deposit available to employees and connecting them to banking. Similar efforts exist with government payments, such as tax refunds, social security, and disability. Some banks show flexibility for people with previous banking issues captured in databases like ChexSystem; they should evaluate each case and make every attempt to allow the person to open an account, ideally working with them to avoid future incidents.

University Neighborhood Housing Program (UNHP) provides financial programs, including financial coaching, workshops and Resource fairs for hundreds of low-income residents in the Bronx each year. Director of its Northwest Bronx Resource Center, Jumelia Abrahamson, notes that "Partnerships between banks and organizations like ours are very important in increasing access to banking, but so are the products themselves. Too many of our clients are stuck with fees because they don't qualify for free accounts or because banks aren't meeting all their financial needs. Meanwhile, large areas of the Bronx have neither bank branches nor adequate ATM networks, which mean that even people who do have bank accounts, or are paid on debit cards, must pay fees to withdraw their own money. Banks need to provide affordable ways for low-income New Yorkers to access their money, save, and build wealth equally in every neighborhood."

Given the multitude of very small businesses, self-employed, and workers paid by cash, an account that depends upon direct deposit or a large minimum balance to avoid monthly fees could be out of reach for many. Likewise, people who lose their jobs may find themselves suddenly with lower account balances and without direct deposit, ultimately facing fees they cannot afford.

The FDIC's Safe Account pilot program provides a template for affordable banking accounts and services targeted to lower-income consumers, such as safe low-dollar loans, remittances, and affordable check cashing. The FDIC reported that 95% of all savings accounts and 81% of checking accounts in the pilot program remained open after one year and banks reported that they were no more expensive than their other accounts.[26] Citibank has been an active participant in this successful program. New York City's OFE created the SafeStart program, initially offered at 20 branches throughout the City and is now expanded. Capital One offers it at six branches and now M&T Bank, Ridgewood, Carver, and Popular Community Bank offer it at all of their branches. This "starter account" is a savings account with no monthly fees and, because it is not a checking account, no overdrafts. It is also coupled with free financial counseling, allowing people a meaningful way to enter or reenter the banking mainstream in order to begin saving and move into other products.

We are sure this is not an exhaustive list of the efforts banks are making, and the banks mentioned here should be recognized for their work with the City and other partners. But basic banking shouldn't be a niche product. Every New Yorker, and especially immigrants and lower-income residents, should have access to banks and affordable products to safely save money and conduct their day-to-day transactions. These products should be widely available and marketed broadly. It is not enough to merely offer a product, but rather banks must demonstrate its effectiveness in making banking and financial services accessible to everyone equitably.

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[26] FDIC (2012), FDIC Model Safe Accounts Pilot Final Report, https://www.fdic.gov/consumers/template/SafeAccountsFinalReport.pdf

For the first year, this report attempts to quantify some of the quality aspects of banking at the banks in this study. We recognize it doesn't encompass every recommendation, but gives a sense of which banks are serving more New Yorkers through their branch banking products with regards to overdraft policies, monthly fees, and efforts to reach unbanked and underbanked New Yorkers.

The banking score is a sum of the following indicators:

- 2 x Percentage of 3 Pew overdraft best practices adopted
- 1 x Percentage of 4 Pew overdraft better practices adopted
- Low monthly fees:
  — 1.00 if $0 monthly fee (2 require e-statements, but no min. balance or direct deposit)
  — 0.50 if monthly fee is $3-$5 per month
- Branch banking products/services for unbanked/under-banked customers
  — 1.00 for alternative products to introduce unbanked/underbanked customers to the bank & 0.50 for other credit-building products such as secured credit cards and credit building loans
- Partnerships
  — 0.50 or 0.25 for efforts to Partner with the City to reach unbanked/underbanked New Yorkers through programs such as BDD, SafeStart, NYC Direct Deposit, and BankOn

Over the next year, we will refine this score, but we believe this gives an initial way to go beyond simply evaluating branching patterns in this report and assess how well banks are serving lower-income New Yorkers through the banking products in their branches.

TABLE 28
CHART OF BANKING PRACTICES AND BANKING SCORES

Bank	fee/ mo	Ways to Waive Fees, if possible	Overdrafts			Product / Partnership to reach unbanked	2012 banking score	2013 banking score
			Pew 2012†	Pew 2013	Overdraft notes			
Chase	$12	Direct Deposit ($500+ combined/mo) OR min balance $1500 OR linked accts $5000 OR pay $25 in fees	Best: 0/3 Better: 3/4	Best: 1/3 Better: 3/4	$34 (no overdraft below $5; $15 charge if account overdrawn at any amount for 5 consecutive days) New in 2013: no overdraft on ATM withdrawals:	**Product: 1.00** (Chase Liquid)	1.75	2.42
	$6	Students ages 13-23: monthly direct deposits OR avg. daily balance $5,000 (ages 13-17 can also waive if linked to parents account)						
	$4.95	Chase Liquid prepaid debit card (not a bank account). Can't waive fee			**No overdraft charges** (no checks or online bill pay)			
Bank of America	$4.95	Safe Balance Account (new to NY in 2014). Can't waive fee	N/A		**No Overdraft charges** This is a "checkless" checking account – no paper checks	**Product: 0.50** (secured credit card)	1.42	1.67
	$12	Direct Deposit (min one for $250) Or min balance $1,500	Best: 1/3 Better: 1/4	Best: 1/3 Better: 2/4	$35 (No overdraft on POS debit card; $35 if overdrawn 5 days)			
	$0	For students under the age of 23						
Citibank	$10	Access Account (new in 2014) Direct Deposit OR 1 bill pay per month OR $1500 min balance	N/A		No Overdraft charges This is a "checkless" checking account – no paper checks	* BDD * Bank On * FDIC pilot program (2) *SaveUSA **Partner: 0.50** **Product: 0.50** (secured credit card)	3.75	3.75
	$10	Basic Checking: Direct Deposit AND 1 bill pay/mo OR $1500 min balance	Best: 3/3 Better: 3/4	Best: 3/3 Better: 3/4	$34 (no overdrafts on POS debit card & ATM withdrawals, no reordering transactions high to low)			
	$0	College Students & Senior citizens - no fee for non-Citibank ATMs						
Wells Fargo	$7/$10	Direct Deposit (total $500+) Or min balance $1500. Online banking& bill pay is $3/mo (can't waive that fee)	Best: 0/3 Better: 4/4	Best: 0/3 Better: 4/4	$35 (no overdraft if $5 or less)	**Product: 0.50** (secured credit card)	1.50	1.50
	$10 / $15 with savings	10 DC purchase OR Direct Deposit ($750+) OR $2000 min balance. Waive $5 savings acct fee: certain transfers to savings OR $300min						
	$3.00	College Combo - must link to savings account and have $500 min daily balance OR Direct deposit $25/mo						
HSBC	$3.00	8 free checks / withdrawals, $0.35 per withdrawal after **[Low-fee account: 0.50]**	Best: 1/3 Better: 4/4	Best: 1/3 Better: 4/4	$35 (no overdraft if $10 or less), max 3/day, no reordering transactions		2.17	2.17
	$15.00	direct deposit or $1,500 in combined linked deposit and investment balances or $5,000 in total balances						
Capital One	$8.95	$300 min balance, or direct deposit of $250 or more	Best: 0/3 Better: 3/4	Best: 0/3 Better: 4/4	$35 (no overdraft if $5 or less)	* BDD branches (3) * SafeStart (9) * SaveUSA (1) **Partner: 0.50** **Product: 0.50** secured credit card	1.75	2.00
	$0.00	360 Checking: - all online, not offered in branches - no access to tellers			Overdraft line of credit (pay low interest on overdrafts). On AllPoint ATM network (only for 360 account)		N/A	N/A
TD Bank	$5.99		Best: 0/3 Better: 2/4	Best: 0/3 Better: 2/4	$35 (no overdraft below $5, but $20 charge if overdrawn at any amount for 10 consecutive days)	Bank On **Partner: 0.25** **Product: 0.50** (secured credit card)	1.25	1.25
	$15.00	TD Convenience: $100 min						
	$0.00	TD Student (waives transfer fee with overdraft protection)						
	$10.00	Senior account (60+)- $250 min balance to waive fee – earns						
Valley National*	$3.00	(8 checks max, .50 per withdrawal after) **[Low-fee account: 0.50]**	Best: 1/3 Better: 3/4	Best: 1/3 Better: 3/4	$35 (no overdraft if $10 or less; charge $15/day if account overdrawn for 5 consecutive days)		1.92	1.92
	$15.00	daily balance $99 per month (new Brooklyn customers can earn $20/mo under certain conditions)						
	$0.00	Senior Citizen acct (ages 55+); VNB MyChoice student acct (ages 17-25)						
M&T**	$3	Can't waive, but no min balance **[Low-fee account: 0.50]**	Best: 1/3 Better: 3/4	Best: 1/3 Better: 3/4	$38.50 (no overdraft if $5 or less; $38.50 charge if account overdrawn at any amount for 5 consecutive days)	SafeStart (13) BankOn (13) **Partner: 0.50**	2.42	2.42
	$9.95	One deposit or one withdrawal each month [2014: Replaces a no-fee account that required account to be active over 3mo period]						
	$6.95	Direct deposits of $200 OR 10 or more debit card transactions OR Average balance of $500 or more						

Popular Community Bank*	$0.00	**[Low-fee account: 1.00]** **Accepts NYC Municipal ID as Primary ID**	Best: 1/3 Better:3/4	Best: 1/3 Better:3/4	$30 (no overdraft if $5 or less; $5/ day charge if account overdrawn for 5 consecutive business days) On the AllPoint ATM network	SafeStart (31) BankOn Manhattan NYC Direct Deposit program **Partner: 0.50** **Product: 0.50** secured credit card	3.42	3.42
Signature	$3.00	free up to 8 debits, then $1.50/debit after that Â **[Low-fee account: 0.50]**	Best: 1/3 Better:2/4	Best: 1/3 Better:2/4	$25 No fee from Signature for using another bank's ATM	**Partner: 0.25**	1.92	1.92
	$20.00	$4,000 min OR $15K linked accts						
Santander	$3.00	No min balance. **[Low-fee account: 0.50]**	Best: 0/3 Better:0/4	Best: 0/3 Better:1/4	$35 ($35 fee if account overdrawn at any amount for 5 consecutive days)		0.50	0.75
	$10.00	$750 ave. daily balance for the month, or direct deposit of $500 or more -> can get a free savings acct (customers can earn $20/mo under certain conditions)						
NY Community Bank**	$2.00	sign up for e-statements (always free for students) **[Low-fee account: 1.00]**	Best: 1/3 Better:4/4	Best: 1/3 Better:4/4	$36 overdraft, no overdraft on ATM withdrawals	* BDD (1) * AmericaSaves product **Partner: 0.50**	3.17	3.17
	$5.00	MyCommunity 50+: $1000 min to waive fee - earns interest						
Astoria*	$3.00	[new in 2014] Direct Deposit ($250) OR avg. balance $250/mo & account must be active over 3m period ($10 inactivity fee) **[Low-fee account: 0.50]**	Best: 1/3 Better:3/4	Best: 1/3 Better:3/4	$35	**Product: 0.50** secured credit card	2.42	2.42
	$10	Start Account: students ages 13-24 – fee waived if acct active over 3 mo						
Apple*	$0.00	no min. balance ($100 to open) **[Low-fee account: 1.00]**	Best: 1/3 Better:4/4	Best: 1/3 Better:4/4	$35 (no overdraft on $5 or less)	**Partner: 0.25** **Product: 0.50** credit building loans	3.42	3.42
Ridgewood*	$3.00	Direct Deposit OR sign up for online banking OR maintain $2,500 balance **[Low-fee account: 1.00]**	Best: 1/3 Better:3/4	Best: 1/3 Better:3/4	$30.00 (Max $90 fees / day = 3 overdrafts)	* BDD (2) * SafeStart (all) **Partner: 0.50**	3.17	3.17
	$0.00	Student Advantage offers additional savings on certain fees						
Carver*	$10.00	Direct Deposit ($500) OR average monthly balance of $500	Best: 3/3 Better:4/4	Best: 3/3 Better:4/4	**No overdrafts** [On the AllPoint ATM network]	* SafeStart (10) * SaveUSA (1) * NYC Direct Deposit program **Partner: 0.50** **Products: 1.00** (Carver Community Cash suite)	4.50	4.50
	$5.00	Student ages 18-24 - Direct Deposit ($500) OR Avg. balance $500/mo Accepts NYC Municipal ID as Primary ID						
Dime*	$0.00	**[Low-fee account: 1.00]**	Best: 1/3 Better:3/4	Best: 1/3 Better:3/4	$30.00		2.42	2.42
Flushing*	$0.00	**[Low-fee account: 1.00]**	Best: 0/3 Better:1/4	Best: 0/3 Better:1/4	up to $35; reorders transactions high to low [On the AllPoint ATM network]	NYC Direct Deposit program **Partner: 0.25** **Product: 0.50** (secured credit card)	2.00	2.00

† Pew 2013 report for 2012 calendar year; 2014 report for 2013 calendar year:

Best practices: (1) No ATM overdrafts, (2) No debit point-of-sale overdraft and (3) No high-to-low transaction reordering

Good practices: (1) Limited high-to-low transaction reordering, (2) Threshold amount to trigger an overdraft, (3) No extended overdraft fee, and (4) Limited number of overdraft fees per day

* Data gathered by ANHD – not in Pew Study, or didn't respond (Popular). Pew data gathered from 2013 and 2014 studies, each with data from end of prior year

** Only in Pew 2014 study – used data for both years

PRINCIPLES TO MAKE BASIC BANKING AVAILABLE AND ACCESSIBLE TO ALL NEW YORKERS

Using a bank account is associated with, and may even lead to, increased financial stability. People with mainstream bank accounts tend to keep more of their earnings, fare better against financial shocks, and save more for the future. Conversely, lack of a bank account is directly related to poverty. Yet, traditional banking accounts remain out of reach for many New Yorkers.

Branches Matter: Banks must open branches in under-served areas to make banking available to all New Yorkers.

Every bank should offer a safe, affordable bank account:

- Low monthly fees that can be waived with reasonable transaction requirements and allows for basic transactions (make payments, deposits, and withdrawals). Low minimum balance and initial deposit requirements.
- Accept alternate forms of ID in addition to a social security card to open an account. All banks should accept the new NYC Municipal ID for this purpose.
- Allow people with prior banking issues a way to reenter the banking mainstream.
- Have an option for no overdrafts and adopt the Pew guidelines for best and good practices on overdraft policies and disclosures.
- It is not enough to simply offer new products – they must be advertised and promoted widely, available everywhere, and understood and marketed by all branch staff so that any customer will have it readily available to them. Banks should demonstrate their effectiveness and modify products that are not reaching underserved populations.

Banks should also be competing to meet the needs of lower-income and immigrant communities:

- Partner with the City and nonprofits that provide high-quality financial counseling and education related to all aspects of banking and access to credit.
- Provide services to non-native speakers with staff, materials, and products that reflect the local languages and cultures.
- Offer variable hours – in person and by phone – to accommodate people who cannot get to a bank during the business day.
- Offer affordable products that meet the needs of lower-income communities: small dollar loans to help build or repair credit; remittances, and access to credit for homes and small businesses.

COMMUNITY DEVELOPMENT STAFF

Trends

- Community development staff increased slightly in 2012 and 2013.
- The average percentage of community development staff remained steady at about 70%.

Recommendations

- The most effective reinvestment programs start with strong leadership. Banks should have a community development team located in or near New York City and knowledgeable about, engaged in, and committed to a bank's CRA programs.
- Some banks have very knowledgeable staff, but they aren't given sufficient resources or authority. Banks should empower local staff to fully engage in and support the wide range of community development activities.

It has been ANHD's experience that the banks with the most effective reinvestment programs, including community development lending, investments, and philanthropy, reflect a broad institutional commitment to bank reinvestment. Such commitment is demonstrated first with strong leadership that is knowledgeable about, engaged in, and committed to a bank's CRA programs. This leadership must then be supported by adequate staffing levels with appropriate expertise dedicated to each of its local markets. Ideally some of this staff and leadership will have come from the nonprofit sector, or at least have had the time to engage closely with nonprofit organizations that can provide them with a deep understanding of the communities in which they are operating. Similarly, we have found that the number of staff physically located in New York City is critical to the bank's ability to truly meet the City's needs. Indeed, the alphabet soup of funding and regulatory programs have created the most productive affordable housing and community development sector anywhere in the country, but also with a complexity and uniqueness that is particular to our city. The size and scale of New York City also mean that a bank has to understand the community context of very different neighborhoods. The community development and lending needs of Downtown Brooklyn are very different from those of Cypress Hills or Red Hook, just as the development and lending contexts of the Highbridge section of the Bronx are very different from the Grand Concourse corridor in the same borough. A bank needs locally engaged, expert staff to fully understand the needs and the opportunities of these diverse neighborhoods.

Community development staff serving New York City continued to increase, but at a slower pace – about 4% and 3% each year, from 338 to 351 in 2012; and to 360 in 2013. Unlike in 2011, the biggest increases in 2012 came from two savings and wholesale banks – Carver increased its community development staff by 3 people (from 6 to 9) and Bank of NY Mellon doubled its community development staff, from 4 to 8 people. Capital One continued to add staff members – up by 4 people in 2012 and another 6 in 2013. The percentage of its staff in NYC also increased to 67%.

Chase has the largest team by far with 111 in 2013, 45 of which are in NYC. The smaller banks mostly remained stable, increasing by only 4.2%, which was due to Ridgewood and Astoria again adding community development staff, demonstrating an increased commitment to lower-income communities of New York City. On average, 72% of the community development staff serving New York City is located in the City. We are pleased that by 2013, all but four banks that responded to the staffing question maintain the majority of their community development staff located here in the City. While New York Community Bank and Astoria do not, their staff is mainly in Long Island, which borders the City. The percentage of staff supporting all CRA-related activity in New York City is slightly lower. Only 7% of Chase's CRA staff is located in the City and 12.5% of Santander's. M&T Bank, HSBC, and Capital One also

have less than half of their CRA staff in the City, but the remaining banks have higher ratios. CRA staff includes people who focus on compliance work, which isn't as necessary as community development staff to be local to NYC.

Numbers are only a part of the picture. Staff must be engaged at a very local level – meeting with community organizations, developers, researchers, and other stakeholders. At the same time, the bank leadership needs to be on board, and give staff the authority and resources to do the work. Some banks have excellent staff, but they don't have enough resources to carry out the work. Valley National had no grant budget for over three years and as we noted above HSBC has well-respected staff, but that hasn't been translating into adequate CRA activity on the ground. For example, Goldman Sachs' investments in economic development projects big and small – from the Brooklyn Navy Yard to Cypress Hills LDC – come from being in conversation with city and nonprofit partners on the ground. M&T's willingness to support policy change through community organizing is reflective of staff that are rooted in the neighborhoods and know is the most effective ways to create change. Capital One and Morgan Stanley, too, have community development teams with staff who come from the community and government, understand community development and the New York City environment, and are available to not just meet with community organizations, but to also work with them from the initial assessment through completion. Capital One has been recognized for sticking with smaller, but impactful, projects that other banks might walk away from. Finally, New York Community Bank's successful participation in the First Look Program was possible because they had staff available to take part in the day-to-day negotiations and discussions necessary to transfer the distressed property to a local developer. We appreciate that both senior and local-level staff of some of the smaller banks make their time and resources available to local community organizations. However, these are not small banks either and we would like to see their community development teams grow so they too can support nonprofit developers and advocates strengthen their work on the ground over the long term.

COMMUNITY DEVELOPMENT LENDING & INVESTMENTS

Trends

- Community development lending and investments increased in 2012 and again in 2013. The number of investments dipped in 2012, but rose again in 2013.
- Lending to nonprofits fluctuated, with the amount loaned down slightly in 2012 and up again much more in 2013, while the number of loans increased in 2012 and decreased again in 2013. Investments with non profits fluctuated in a similar manner, but the percentages overall are lower. Lending to **neighborhood-based CDC's** remains very low.
- The number of CRA small business loans fluctuated slightly in 2012 and 2013, while the amount loaned increased 17% each year. On average, about a third of the loans were in LMI tracts where the amount loaned increased by over 30% each year.
- With a few exceptions, the percentage of community development loans and investments under the **economic development category** is very small, highlighting the challenges with the category and the opportunity for activity to support quality jobs.

Recommendations

- Banks should continue to i**ncrease community development loans and investments.** They should also **direct resources to nonprofit and community based organizations** that are locally rooted and committed to permanent affordability and long-term improvements in their communities.
- Banks should **support the smaller and most effective, nonprofit developers** with flexible underwriting and lower fees that take into account the unique nature of CDCs as well as grants and low-interest loans for acquisition and predevelopment costs.

- **Banks and regulators must look at the overall impact of that loan** with respect to the quality of jobs created, the quality of housing, and the sustainability of the impact over time. They must also ensure that the loan meets the needs of local communities and most certainly does not cause harm.
- **Banks** should dedicate more money and resources to **equitable economic development. Regulators** should elevate the importance of this category through the performance context and provide more clarity and emphasize on outcomes in exams to ensure more resources are going to the people and businesses that need them most and are creating opportunities for economic mobility.

Community development loans and investments provide vital financing to build and preserve affordable housing, create jobs and economic development opportunities, and improve and revitalize City neighborhoods. New York City is on the forefront of affordable housing creation and preservation, with innovative programs and initiatives rarely seen elsewhere. This would not be possible without the CRA.

Community development under the CRA encompasses a wide, but well-defined, range of activities targeting low- and moderate-income people and communities to increase access to affordable housing; provide community services; promote economic development; revitalize or stabilize communities; and support certain foreclosure prevention activities. CRA-qualified Investments are lawful investments, deposits, or membership shares that have as their primary purpose community development. For example, banks may purchase government bonds or Low-Income Housing Tax Credits (LIHTC) that fund affordable housing construction or rehabilitation.

Under the CRA lending test, banks are evaluated on the distribution of "core lending" – typically 1-4 family and multifamily mortgages and small business loans – as well as the quantity and quality of their community development loans, which are loans that meet a community development purpose as defined by the CRA. In most cases, banks cannot "double count" loans to be evaluated in both categories, meaning that their 1-4 family loans and small business loans cannot also be evaluated as community development loans. The one exception is multifamily loans. Banks can also receive community development credit on CRA exams for permanent financing of multifamily buildings where rents are affordable to lower-income tenants, or where the building is otherwise determined to contribute to neighborhood revitalization, but ANHD does not include them in community development loans. We place a high value on the quantity and quality of all multifamily lending and those loans are included in our analysis of multifamily lending in New York City.

TABLE 29
TOTAL COMMUNITY DEVELOPMENT (CD) LENDING ($ IN MILLIONS)

	2011	2012	% Change	Cnt	2012	2013	% Change	Cnt
CD Lending (# Loans)	435	490	12.6%	21	490	525	7.1%	21
CD Lending (in $)	$2358	$3142	33.3%	22	$3142	$3665	16.7%	22
CD Loans to Nonprofits (#)	179	221	23.46%	19	222	169	-23.87%	20
CD Loans to Nonprofits ($)	$731.47	$706.59	-3.40%	19	$720.09	$861.32	19.61%	21
CD Loans to CDC's (#)	55	67	21.8%	16	67	23	-65.7%	16
CD Loans to CDC's ($)	$117	$121	3.5%	16	$121	$70.3	-42.1%	17
Affordable Housing Loans (#)	145	193	33.1%	19	194	145	-25.3%	21
Affordable Housing Loans ($)	$1436	$1433	-0.2%	19	$1805	$1605	-11.1%	22
Affordable Housing to NFPs (#)	60	78	30.00%	17	97	66	-31.96%	19
Affordable Housing to NFPs ($)	$443.24	$415.51	-6.26%	17	$490.51	$531.86	8.43%	20

TABLE 30

TOTAL CRA-QUALIFIED INVESTMENTS ($ IN MILLIONS)

	2011	2012	% Change	Cnt	2012	2013	% Change	Cnt
# Investments	188	159	-15.4%	19	161	221	37.3%	21
Amount Invested ($)	$1072	$2035	89.8%	20	$2045	$2393	17%	22
LIHTC (#)*	56	61	8.9%	18	62	97	56.5%	20
LIHTC ($)	$550	$888	61.4%	19	$784	$1264	61.2%	20
NMTC (#)*	8	11	37.5%	15	11	13	18.2%	16
NMTC ($)	$71.35	$108	51.8%	15	$108	$80.43	-25.8%	16
Investments to NFPs (#)	56	29	-48.2%	17	29	23	-20.7%	19
Investments to NFPs ($)	$214	$263	22.7%	17	$263	$74.77	-71.6%	19

* LIHTC = Low Income Housing Tax Credits; NMTC = New Markets Tax Credits

After a drop in 2011, community development lending increased considerably in 2012 by 33% and then by another 17% in 2013 – the number of loans were up 13% and 7%. The amount invested also increased greatly, almost doubling (up 90%) in 2012 and then by 17% in 2013.

While certainly some loans and investments are used over more than one year, we look at new loans and new investment commitments. While a few banks had a larger impact on the overall trends, only five banks decreased the amount loaned in 2012; seven decreased the number of loans. The biggest increase in community development loans was at Bank of NY Mellon, which seems to operate more on two-year cycles; their lending declined again in 2013, but was still a large amount. The changes were also more across the board in 2013. Looking over time, most banks loaned more in 2013 than they did in 2011. However, HSBC's community development lending declined by $10 million (10%) and by 13 loans (34%).

Similar trends emerged in CRA-qualified investments. Valley National continued a multi-year trend of making no new investments through 2013. A few banks reentered the market, making new CRA-qualified investments after a few years of none. Popular Community Bank, for example, made 8 new commitments in 2012 and another 3 in 2013. Signature too made 3 in 2012 and another 8 in 2013. Interestingly, three of the four wholesale banks increased investments in 2012 and declined in 2013, but all were above their 2011 levels. Only Morgan Stanley decreased investments in NYC in 2013. We do understand that some investments at all banks, and particularly wholesale banks, may have been made outside NYC, but still benefit City residents.

Among the retail commercial and savings banks, once again, Chase, Signature, New York Community Bank, and Citibank dedicated the most amount of money to community development loans. Wells Fargo and Capital One, too, have loaned large amounts in some years. Chase has by far the largest deposit base and branch network in the city, and does considerable business with the City of New York and many businesses and nonprofits throughout the City. As such, they have a larger obligation to reinvest in New York City than other institutions. But it does make it harder to track increases when Chase's activity is such a small percentage of their $350 billion in deposits. Chase's community development loans have been steadily increasing over the years, and its CRA-qualified investments have gone up even further. Chase is an active LIHTC and NMTC investor, making 13 LIHTC investments in 2012 and another 41 in 2013 as well as two NMTC investments in 2012 and another three in 2013. We have also heard from some nonprofit CDC's that Chase has been a good partner in financing affordable housing, both in the standard deals as well as some of the more complicated ones.

TABLE 31

HIGHEST PERCENTAGES OF COMMUNITY DEVELOPMENT LOANS TO DEPOSITS ($ IN MILLIONS)

2012				2013			
	# Loans	$ Loans	% to Deposits		# Loans	$ Loans	% to Deposits
Largest Banks							
M&T	**17**	**$169**	**6.92%**	**M&T**	**24**	**$187**	**7.02%**
Capital One	28	$314	1.42%	Wells Fargo	22	$385	2.9%
Citibank	21	$439	0.86%	Citibank	33	$794	1.41%
Smaller Banks							
NY Community	25	$356	6.79%	NY Community	83	$456	7.86%
Signature	73	$283	2.93%	Carver	41	$28.21	5.73%
Carver	1	$12.50	2.40%	Signature	65	$242	2.12%
Wholesale							
Morgan Stanley	16	$102	0.96%	Morgan Stanley	14	$99.71	0.73%
Goldman Sachs	15	$198	0.37%	Deutsche Bank	22	$126	0.42%
Bank of NY Mellon		$411	0.35%	Goldman Sachs	11	$161	0.25%
Deutsche Bank	28	$61.90	0.27%	Bank of NY Mellon		$156	0.13%

TD Bank had been expanding steadily in New York City and we would expect it to increase CRA activities as well. The bank seemed to be doing so as it went from making no community development loans in 2009 to 23 loans for $73 million in 2012, but the volume dropped considerably to 9 loans for $36.7 million in 2013. Still we note that is above 2011 levels. A similar pattern emerged with its CRA-qualified investments. TD Bank made $17 million in new commitments in 2009, then invested over $70 million each year from 2010-12, but dropped down to $15.2 million in 2013. Likewise, it was making considerable investments in nonprofits, but none in 2013. We are encouraged that TD Bank has in recent years developed a set of products designed specifically for CDFI's and community development projects, seeking to meet the need for smaller loans that larger banks traditionally will not make. For example, TD Bank made a construction loan to Ridgewood Bushwick Senior Citizens Council in a recent project to construct a 24-unit multifamily building for families earning less than 50% and 60% of the AMI. The unit has a mix of apartment sizes, with 10 units set aside for the elderly and people with disabilities, and utilizes passive technology as a means to help the environment and lower energy bills.

In October 2012, New York City and the surrounding region were devastated by Hurricane Sandy, with hundreds of homes wiped out and thousands of tenants displaced, many of whom are still dealing with the aftermath as they seek to rebuild and return or relocate. A fair amount of community development activity was devoted to helping Sandy affected residents and businesses. Regulators in NY State encouraged this as well by convening banks, regulators, and community organizations early on and designating new disaster areas where loans, investments and services are CRA-eligible. The majority of the response seemed to be in grants, but a few banks also made loans and investments. Citibank closed on a $500 million loan with the MTA for infrastructure repairs following the storm. Other examples include Bank of America's $10 million in zero-interest loans in 2012 and into 2013 to 11 CDFI's in New York City and the surrounding region. Similarly, Deutsche Bank made available aggregate $650,000 in 0% interest loans to three CDFIs in NYC to respond to the Storm. Within weeks of the storm, Goldman Sachs also closed a $5 million loan to NYBDC as part of the larger $15 million Emergency Loan Fund focused on impacted areas in New York City. NY Community Bank invested $2.5 million through an intermediary to facilitate Sandy recovery efforts. Capital One made a $3M loan to the Mayor's Fund for the City of New York that provided interest-free loans ranging from $5,000 to $100,000 to

New York City nonprofits impacted by Hurricane Sandy. Capital One also made a $2 million commitment to a statewide small business emergency relief fund to provide immediate financial assistance for businesses impacted by Superstorm Sandy. Ridgewood reported that it originated 88 single-family (HMDA) loans in Breezy Point to help stabilize and rehabilitate the area following the storm.

TABLE 32

HIGHEST PERCENTAGES OF CRA-QUALIFIED INVESTMENTS TO DEPOSITS ($ IN MILLIONS)

2012				2013			
	# Invest-ments	$ Invest-ments	% to Deposits		# Invest-ments	$ Invest-ments	% to Deposits
Largest Banks							
Capital One	21	$210	0.95%	Wells Fargo	25	$634	4.8%
Citibank	18	$447	0.87%	Citibank	16	$423	0.75%
TD Bank	7	$73.04	0.6%	Capital One	17	$124	0.54%
Smaller Banks							
Carver	1	$12.50	2.4%	Carver	3	$5.98	1.2%
Popular Comm.	8	$15.02	0.57%	Ridgewood	5	$9.80	0.36%
NY Community	6	$29.12	0.56%	NY Community	10	$20.22	0.35%
Wholesale							
Morgan Stanley	5	$40.05	0.38%	Deutsche Bank	2	$41.00	0.14%
Deutsche Bank	10	$82.10	0.35%	Goldman Sachs	9	$76.22	0.12%
BNY Mellon		$232	0.20%	Morgan Stanley	5	$15.41	0.11%

There is one factor that can get lost in the overall dollar amounts of community development lending, which is the impact of the lending. Under the CRA, "The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending." Regulators may also consider other consumer loans if they make up a substantial portion of a bank's business.[27] In practice, when looking at a bank's core lending, greater weight is placed on areas where banks do more business. For example, a bank like Citibank will be evaluated more heavily on its 1-4 family lending, but very little on multifamily lending, while the opposite is true for Signature or NY Community Bank. Likewise, banks like Ridgewood that make more residential multifamily and 1-4 family loans and no small business loans will be evaluated on those. Loans are evaluated on volume and distribution, looking at geographic and borrower characteristics.

Community development lending, on the other hand, goes beyond those criteria and evaluates how banks are meeting the credit needs of lower-income people and communities to improve conditions as defined by having a "community development purpose," such as by increasing access to jobs, community services, affordable housing, and more stable neighborhoods. We would expect the community development lending to align with a bank's business model. For example, a bank that finances the construction or renovation of multifamily housing is likely to finance the construction or rehabilitation of affordable housing, more so than a bank that doesn't engage in that line of business. What we've noticed, however, is that some banks that do a large volume of commercial and/or multifamily lending technically satisfy their CRA obligations simply by identifying their core business loans that meet certain criteria under the CRA, typically based on the location of the loan, rather than the actual people

[27] 12 CFR 25.22 (OCC – Lending Test)

impacted. For example, a loan to attract or retain a retail center or a pharmacy in a lower-income census tract or in an area targeted for redevelopment, such as the empire zones, will automatically get credit as a community development loan and, if jobs can be documented, then it may get economic development credit. While it is certainly important to have credit flowing to these neighborhoods, attention must be given to the impact as well.

Banks and regulators must look at the overall impact of that loan and ask critical questions. Do the jobs created in that area pay well or provide a path to better employment? Does the business hire local residents? Is the housing affordable and in good condition? Was the loan underwritten to preserve affordable housing or will it lead to displacement of long-time tenants? Will the business truly stabilize the neighborhood, or lead to the displacement of surrounding long-standing businesses? We recognize we may lose some of that nuance in the multifamily community development in this study which is largely numerical, but we place a high degree of importance on making responsible, well-underwritten loans to owners of all types of affordable housing, rent-regulated and subsidized. As discussed in the multifamily section, the new regulation issued by the NY State Department of Financial Services is one very important step towards ensuring that multifamily community development loans are truly meeting the housing needs of lower-income people and communities, and not causing harm.

TABLE 33

HIGHEST PERCENTAGES OF CRA-QUALIFIED INVESTMENTS FOR LOW-INCOME HOUSING TAX CREDITS (LIHTC) ($ IN MILLIONS)

	2012					2013			
Big	LIHTC (#)	LIHTC ($)	% (#)	% ($)	Big	LIHTC (#)	LIHTC ($)	% (#)	% ($)
Larger Banks									
Wells Fargo	2	$36.9	100%	100%	Capital One	14	$124	82.4%	99.9%
Capital One	18	$210	85.7%	99.9%	Wells Fargo	23	$632	88.5%	99.7%
TD Bank	6	$64.33	85.7%	88.1%	TD Bank	3	$14.99	75%	98.6%
Smaller Banks									
Signature	1	$12.32	0.33%	96.2%	Signature	3	$29.82	37.5%	84.7%
Ridgewood	1	$4.00	50%	59.7%	Ridgewood	1	$4.00	20%	40.8%
Wholesale									
Deutsche Bank	6	$73.70	60%	89.8%	Deutsche Bank	2	$41.00	100%	100%
Morgan Stanley	3	$32.68	60%	81.6%	Bank of NY Mellon				Est. 90%
Bank of NY Mellon		$116		50%	Morgan Stanley	1	$9.26	20%	60.1%

ANHD has always held the position that all dollars are not equal and that quality matters just as much as quantity. For example, affordable housing built and managed by a mission-driven nonprofit or CDC is more likely to remain affordable in perpetuity, whereas housing built by a for-profit developer runs a greater risk of becoming market-rate when the terms of the subsidies expire. Likewise, the housing must be truly affordable to local residents. ANHD's 2012 Real Affordability report analyzed the housing built and preserved under the mayor's New Housing Marketplace Plan and found that two-thirds of affordable housing units are in fact unaffordable to the majority of local residents who earn less than the median income in their neighborhood.[28] Additionally, over 31,400 units of affordable housing are at risk of losing their affordability within five years (between 2014 and 2019), because

[28] Gates, M., Williams, B. (2013), "Real Affordability, an Evaluation of the Bloomberg Housing Program", published by ANHD, retrieved from: http://www.anhd.org/resources-reports/policy-reports

the affordability requirements that were part of the financing and regulatory agreements are expiring.[29] Nonprofit CDCs and developers are locally-rooted and mission driven to serve the lower-income, immigrant, high needs populations they serve, with many having done so successfully over decades. They build and preserve permanent, deeply affordable housing; assist tenants in those units and throughout their neighborhoods; create space for local businesses that provide quality jobs; provide direct assistance to the businesses to grow and thrive; create new economic opportunities for people in the neighborhoods to find quality jobs; and myriad other services for the local communities. Banks must take an intentional approach to partnering with nonprofits, particularly CDCs, to ensure that they have access to equity and credit to further their missions.

TABLE 34

HIGHEST PERCENTAGES OF COMMUNITY DEVELOPMENT LENDING TO SUPPORT AFFORDABLE HOUSING ($ IN MILLIONS)

2012					2013				
	Loans for Aff. Hsg (#)	Loans for Aff Hsg ($)	% Aff Hsg (#)	% Aff Hsg ($)		Loans for Aff. Hsg (#)	Loans for Aff Hsg ($)	% Aff Hsg (#)	% Aff Hsg ($)
Larger Banks									
Capital One	23	$299	82.1%	95.2%	Capital One	18	$168	72%	93.9%
Citibank	18	$410	85.7%	93.5%	Chase	24	$368	50%	79.1%
Bank of America	37	$83.00	37.8%	80.7%	TD Bank	6	$24.20	66.7%	65.9%
Smaller Banks									
Popular Comm.	12	$23.11	52.2%	52.2%	Ridgewood	1	$1.50	50%	85.71%
NY Community	8	$13.29	32%	3.7%	Popular Comm.	8	$23.53	42.1%	71.6%
Valley National	1	$0.93	12.5%	6.7%	NY Community	7	$6.30	8.4%	1.4%
Wholesale									
Deutsche	23	$60.00	82.1%	96.9%	Bank of NY Mellon		$156		100%
Morgan Stanley	12	$96.99	75%	94.8%	Deutsche	19	$126	86.4%	99.5%
Bank of NY Mellon		$371		90.3%	Morgan Stanley	11	$95.41	78.6%	95.7%

Chase has long been recognized as a reliable source of credit for affordable housing. For the past three years, over half of its community development lending dollars has gone to nonprofit organizations as did over 70% of its community development lending for affordable housing. While Chase does not report on lending to CDC's, we know a number of ANHD member CDCs bank with Chase and have received loans. Capital One's place-based approach in Cypress Hills in partnership with local community organizations has also had a big impact, as has its willingness to do the smaller deals and stick with them to the end. As mentioned above, TD Bank has developed products specifically for CDFI's and nonprofits, and NY Community Bank reports that it will waive certain fees and reduce costs for nonprofit borrowers on their community development projects.

Given their importance, we note some of the trends in lending to and investing in nonprofits and CDC's. Among banks reporting their activity to nonprofits in 2011, 2012, and 2013, the dollar amount loaned increased 22% overall in 2012 and another 34% in 2013, while the dollar amount to nonprofits declined 3% in 2012.

[29] ANHD 2014 Housing Risk Chart, retrieved from: http://www.anhd.org/wp-content/uploads/2011/07/ANHD-Housing-Risk-Chart-2014.pdf

TABLE 35

HIGHEST PERCENTAGES OF AFFORDABLE HOUSING COMMUNITY DEVELOPMENT LENDING THAT WENT TO NOT-FOR-PROFIT ORGANIZATIONS (NFP) ($ IN MILLIONS)

2012					2013				
	Loans to NFP for Aff. Hsg (#)	Loans to NFP for Aff Hsg ($)	% Aff Hsg to NFP (#)	% Aff Hsg to NFP ($)		Loans to NFP for Aff. Hsg (#)	Loans to NFP for Aff Hsg ($)	% Aff Hsg to NFP (#)	% Aff Hsg to NFP ($)
Larger Banks									
HSBC	8	$5.71	100%	100%	HSBC	5	$36.25	83%	66.82%
Bank of America	19	$62.50	51.4%	75.3%	Chase	13	$181	54.2%	49.2%
Chase	14	$142	56%	54.2%	M&T	6	$31.44	50%	43.4%
TD Bank	8	$16.44	66.7%	52.6%					
Smaller Banks									
Valley National	1	$0.93	100%	100%	Ridgewood	1	$1.50	100%	100%
NY Community	4	$7.03	50%	52.9%	NY Community	1	$3.05	1.20%	0.7%
					Popular Comm.	1	$3.29	12.50%	14%
Wholesale									
Deutsche Bank	22	$50.40	95.7%	84%	Goldman Sachs	2	$74.55	100%	100%
Morgan Stanley	12	$96.99	100%	100%	Morgan Stanley	11	$95.41	100%	100%
Bank of NY Mellon		$12.50		3.4%	Deutsche Bank	16	$19.38	84.2%	15.4%

The dollars went up again in 2013, but the number of loans declined by 24%, meaning they went to fewer organizations. For those reporting their lending to CDCs, the amount increased by just 3.5% in 2012 while the number of loans increased by 22%, which means more organizations received loans. In 2013, the number of loans declined by 65% and the dollar amount decreased by 42%. Across all three years, the average and median percentages to CDCs was very low.

TABLE 36

COMMUNITY DEVELOPMENT LENDING TO NONPROFITS AMONG 19 BANKS REPORTING IN ALL THREE YEARS ($ IN MILLIONS)

	2011	2012	% Chg	2013	% Chg
CD Lending (#)	384	410	6.8%	458	11.7%
CD Lending ($)	$1,991	$2,424	21.8%	$3,245	33.8%
.. To NFP (#)	179	221	23.5%	168	-24.0%
.. To NFP ($)	$731	$707	-3.4%	$848	20.1%
... Avg. % To NFP (#)	50.50%	52.50%	4.0%	46.50%	-11.5%
... Avg. % To NFP ($)	47.40%	47.20%	-0.4%	38.10%	-19.2%
...Median % to NFP (#)	45.50%	50.00%	10.0%	42.10%	-15.8%
...Median % to NFP ($)	35.50%	50.70%	42.8%	34.10%	-32.9%

TABLE 37

COMMUNITY DEVELOPMENT LENDING TO CDCS AMONG 16 BANKS IN ALL THREE YEARS REPORTING ($ IN MILLIONS)

	2011	2012	% Chg	2013	% Chg
CD Lending (#)	314	334	6.4%	395	18.3%
CD Lending ($)	$1561	$1967	26.0%	$2680	36.2%
.. To CDCs (#)	55	67	21.8%	23	-65.7%
.. To CDCs ($)	$117	$121	3.5%	$70.27	-42.1%
... Avg. % To CDCs (#)	12.9%	14.5%	12.4%	9.2%	-36.8%
... Avg. % To CDCs ($)	9.4%	12.5%	32.6%	4.9%	-60.1%
.. Median to CDCs (#)	0.0%	0.0%	0.0%	2.1%	up from 0
.. Median to CDCs ($)	0.0%	0.0%	0.0%	0.43%	up from 0

Investments to nonprofit sponsors also declined sharply. Among the 19 banks that reported in all three years, the number of investments in nonprofits declined by 48% in 2012, but the dollar amount invested increased by 23%. The number declined another 21% in 2013 while the dollar amount declined by 72%. Morgan Stanley does not break out loans and investments to CDC's, but they are well respected for their work on affordable housing. For example, during the years in this study, they made a LIHTC investment to support the rehabilitation of five physically and financially distressed multifamily rental buildings in the Bronx, including 79 affordable rental units and a 2,900 square foot

storefront in one building. The properties were overleveraged for the past 10 to 15 years. Banana Kelly organized the remaining legal tenants to take the owner to court and partnered with Workforce Housing Advisors to acquire the property. The building is now in good condition and the housing will remain affordable.

TABLE 38

CRA-QUALIFIED INVESTMENTS TO NONPROFITS AMONG 19 BANKS REPORTING IN ALL 3 YEARS

	2011	2012	% Chg	2013	% Chg
CRA Invest (#)	176	154	-12.5%	213	38.3%
CRA Invest ($)	$939	$1763	87.8%	$2269	28.7%
.. To NFP (#)	56	29	-48.2%	23	-20.7%
.. To NFP ($)	$214	$263	22.7%	$74.77	-71.6%
... Avg. % To NFP (#)	32.3%	20.8%	-35.6%	19.5%	-6.3%
... Avg. % To NFP ($)	28.8%	16.2%	-43.6%	18.2%	12.4%
...Median % to NFP (#)	25.0%	11.3%	-55.0%	0.0%	-100%
...Median % to NFP ($)	14.7%	6.4%	-56.7%	0.0%	-100%

TABLE 39

HIGHEST PERCENTAGES OF COMMUNITY DEVELOPMENT LENDING TO NONPROFITS ($ IN MILLIONS)

2012					2013				
	# to NFP	$ to NFP	% NFP (#)	% NFP ($)		# to NFP	$ to NFP	% NFP (#)	% NFP
Largest Banks									
TD Bank	19	$58.13	82.6%	79.7%	Chase	33	$233	68.8%	50.1%
Wells Fargo	1	$5.00	50.0%	72.0%	Santander	2	$3.05	50%	45.2%
Bank of America	42	$66.40	42.9%	64.6%	Wells Fargo	6	$166	27.3%	43.1%
Chase	44	$203	74.6%	57.2%	Citibank	23	$51.49	69.7%	6.5%
HSBC	33	$80	94.3%	48.4%					
Smaller Banks									
Astoria	4	$5.50	100%	100%	Dime	1	$0.25	100%	100%
Dime	1	$0.25	100%	100%	Carver	6	$9.99	14.6%	35.4%
Ridgewood	1	$0.75	50%	75%	Popular Comm.	8	$8.26	42.1%	25.1%
					Ridgewood	1	$0.25	50%	14.3%
Wholesale									
Morgan Stanley	12	$96.99	75.0%	94.8%	Morgan Stanley	11	$95.41	78.6%	95.7%
Deutsche Bank	26	$52.30	92.9%	84.5%	Goldman Sachs	2	$74.55	18.2%	46.5%
Goldman Sachs	1	$9.60	6.7%	4.8%	Deutsche Bank	18	$19.78	81.8%	15.7%
Bank of NY Mellon		$12.50		3%	Bank of NY Mellon		$11.92		7.7%

TABLE 40

HIGHEST PERCENTAGES OF COMMUNITY DEVELOPMENT TO CDC'S AMONG ALL BANKS ($ IN MILLIONS)

2012					2013				
	# to CDC's	$ to CDC's	% to CDC (#)	% to CDC ($)		# to CDC's	$ to CDC's	% to CDC (#)	% to CDC ($)
Wells Fargo	1	$5	50%	72%	TD Bank	1	$11.5	11.1%	31.3%
Bank of Amer.	42	$66.4	42.9%	64.6%	Capital One	3	$28.9	12%	16.2%
TD Bank	5	$21	21.7%	28.8%	Ridgewood	1	$0.25	50%	14.3%
Ridgewood	1	$0.25	50%	25%	Deutsche Bank	12	$1.08	54.6%	0.9%

TABLE 41

HIGHEST PERCENTAGES OF CRA-QUALIFIED INVESTMENTS TO NON-PROFITS ($ IN MILLIONS)

2012					2013				
	# to NFPs	$ to NFP	% to NFP (#)	% to NFP ($)		# to NFPs	$ to NFP	% to NFP (#)	% to NFP ($)
Largest Banks									
TD Bank	6	$70.75	85.7%	96.9%	M&T	5	$0.50	100%	100%
Capital One	4	$100	19.1%	47.7%	Capital One	4	$38.50	23.5%	31.1%
Bank of America	6	$26.50	31.6%	25.5%	Chase	3	$19.00	6.3%	3.8%
M&T	4	$0.40	80.0%	12.1%	Wells Fargo	3	$1.80	11.5%	0.3%
Smaller Banks									
Ridgewood	1	$4.00	50%	59.7%	Carver	3	$5.98	100%	100%
NY Community	1	$3.54	16.7%	12.2%	Ridgewood	4	$5.80	80%	59.2%
Popular Comm.	1	$0.10	12.5%	0.7%	NY Community	1	$3.19	10%	15.8%
Goldman Sachs	1	$7.31	9.1%	8.4%					
Deutsche Bank	1	$2.50	10%	3.1%					

And, again the dollar amount is just one indicator. Conversations with ANHD members – CDC developers with decades of experience building and managing affordable housing and serving their communities – reveal challenges they face in carrying out their missions, which include access to loans, investments, and grants. It must be noted that overcoming these challenges will require action on the part of banks and governments. Three major themes came out:

1. **Predevelopment Costs**

   Aquisition Costs: Nonprofit developers are at a major disadvantage in today's market. Land and property are often prohibitively expensive. The City has very little of either to give away, and the City's acquisition loan fund often moves too slowly to meet market demands, taking 4-5 months to close a loan when sellers typically want to complete a deal in 30 days. Compounding this problem, in occupied buildings banks often do not adequately recognize the physical needs of the building, and the ability of low-income tenants to absorb projected rent increases, which inflates prices further. Only an organization with a large balance sheet or considerable assets against which to borrow has any chance of acquiring new private land to develop. Often times CDCs don't even attempt to acquire properties knowing their chances are so slim.

   Other predevelopment costs: In addition to acquisition, there are numerous costs a developer must incur before a stake is ever put in the ground, including but not limited to environmental studies, insurance, research, outreach to the neighborhood, and architectural drawings. Nonprofits need access to acquisition and other predevelopment funds: soft loans (0% interest); low-interest affordable lines of credit; an expedited acquisition fund; and grant dollars.

2. **Smaller loans and smaller deals:** Due to economies of scale, it may not be as lucrative for a bank to underwrite and originate a loan for a 10 unit building as it would be for 100 units. However, those 10 units are critically important to the families who will access it and, because CDCs actively pursue opportunities to develop affordable housing on a mission-driven, not profit-driven basis, these smaller deals often fall predominantly

to neighborhood-based CDCs to develop. CDCs are also at a disadvantage when competing for projects of all sizes with larger for-profit developers that have more in assets. Nonprofit developers need access to affordable capital to rehabilitate and construct housing at any size so as to take advantage of all opportunities to build and preserve affordable housing. A lending product that accurately reflects the situation of small, mixed-use affordable housing properties is also needed.

Banks can also make loans to, and investments in, organizations such as the Community Preservation Corporation (CPC), LISC, and Enterprise, which certainly should be encouraged. CPC has a long history of financing affordable housing projects, particularly the smaller deals. Yet, depending upon the product, these entities can be more expensive at times. Also, a healthy lending market should have a range of lenders, including bank loans and loan pools. These should not be the only entities making loans to support smaller affordable housing projects.

3. **Appropriate risk assessment:** Nonprofit CDC developers often get charged additional fees and receive less desirable loan terms because their organizations are perceived as risky simply because of how nonprofit developers operate distinct from for-profit ones. Some can't get a loan at all on their own because they don't have a large enough balance sheet, or sufficient asset, to secure a loan, or because they do not have enough equity in a project. These factors imply the group is a risky bet and that the project is likely to fail, leaving the lender with little recourse to recoup the losses. However, this model fails to take into account the unique nature of CDCs. For one thing, a nonprofit will rarely, if ever, have the same asset base as a large for-profit company, partly because of limited budgets and partly because the rents and fees they earn are put right back into the buildings and programs to carry out their mission. Because of limited resources, these same CDCs must build equity from a variety of sources – often a combination of LIHTC, grants and City capital dollars. It makes no sense for the city or bank to require any further equity, especially given the rigorous process that awarded the organizations the equity in the first place. Finally, in the case of affordable housing, there is very little risk of a properly underwritten deal going bad. The demand for affordable housing will always outpace the supply and the building will most certainly be occupied as soon as the units are available. Lenders should take into account the parameters of the project, the multiple sources of financing, and the track record of the nonprofit developer to assess risk and provide the most affordable terms possible, ideally waiving certain fees in the process. Due to these constraints and lack of access to the capital they need, developers must often partner with for-profit entities, thus relinquishing some control of their projects and losing out on a portion of the developer fees that could otherwise be reinvested in the project and/or used to support the incoming tenants and fuel future projects.

We have also learned that in the past, a developer could approach different banks for the various financing needs of a project, such as LIHTC equity, construction loan, permanent loan, letter of credit, etc. Today, however, some banks are insisting that they provide some or all of these products in order to work with them. The full implications of this practice are not yet known. On the one hand, it can be simpler for an organization to work with one bank. On the other hand, however, developers have fewer options to get a better deal or even to form and maintain relationships with multiple banks.

Addressing these issues would go a long way towards increasing access to affordable housing for millions of New Yorkers. But, that alone is not enough. Increasing access to affordable housing depends upon affordable private capital coupled with bold public investments in the form of land, policies, and public dollars to build and preserve deeply, permanently affordable housing.

CRA Modernization

Over the past 30 years, the CRA has been an effective tool to increase access to credit and banking for underserved people and communities. The CRA has been particularly successful in fostering collaboration among government, developers, nonprofit organizations, and banks to create a robust affordable housing infrastructure with a wealth of CRA motivated capital to support it.

However, after decades of mergers, regulatory changes, and myriad new products and practices, the banking industry has changed dramatically since 1977 and the CRA has not kept pace. We appreciate the Federal and State agencies for using their power of convening to leverage CRA dollars in times of disaster, such as following Hurricane Irene and Super storm Sandy. We also very much applaud the NY State Department of Financial Services for updating its CRA exam procedures to reflect the newer practice of overleveraging in multifamily housing submitted for CRA credit by excluding loans that are determined to threaten the stock of affordable housing.

While legislative change is unlikely to happen any time soon, federal regulators have the authority to make many changes on their own. The agencies – the OCC, the FRB, and the FDIC – have begun to update the CRA regulations guiding the exam process. The first set of changes was rather narrow and was finalized in November 2013. They recently issued a broader set of proposed changes that addresses a number of key areas, including the service test and economic development.

These are a few key areas ANHD believes should be addressed:

- **Community Development Lending:** In November 2013, regulators finalized new guidelines regarding how community development lending is treated on CRA exams. One positive change establishes consistency among all three agencies such that community development lending can have a positive, neutral, or negative impact on the lending test. Previously some agencies included "negative" while others did not. This allows all regulators to recognize good community development lending and also to lower the rating of a bank that makes too low a volume of community development lending, or claims community development credit for loans that have a destabilizing or harmful impact.

  More concerning is that now "strong performance in retail lending may compensate for weak performance in community development lending, and conversely, strong community development lending may compensate for weak retail lending performance." While strong, quality community development lending deserves recognition and credit, it should not substantially raise the rating of a bank that makes loans inequitably to lower-income borrowers and communities or in any way discourages the retail lending that our communities depend upon. The CRA was written to address unfair lending practices where banks took deposits in lower-income and minority neighborhoods, but refused to make loans there.

  That is what appears to have happened on Valley National's 2013 CRA exam[30] even before the new regulations were finalized. Valley National received a "High Satisfactory" rating by the OCC on its lending test. In this case, a high volume of community development lending made up for the fact that examiners used the words "poor" and "very poor" 47 times to describe the bank's core 1-4 family, multifamily, and small business lending in the area. We believe that better methods can elevate the importance of community development lending. Either

[30] Valley National 2014 CRA Exam conducted by the OCC: http://www.occ.gov/static/cra/craeval/jun14/15790.pdf

examination weights can be more fully developed on the lending test or else community development loans and investments could be considered together on a community development test. More thought is needed to recognize and encourage quality community development lending while not inadvertently impacting the level and fairness of retail lending.

- **Assessment Areas:** Currently, assessment areas are only those geographical areas containing bank branches although several banks, especially large banks, make considerable numbers of loans beyond their branch networks. The agencies should designate additional full-scope assessment areas for counties and metropolitan areas in which a bank does considerable business and takes deposits, but has few or no branches. Given the new focus on alternative delivery methods, we risk banks taking even more deposits outside of their branch network, and thus outside of their assessment areas. The proposed regulations do not include any changes to assessment areas.

- **Service Test:** Bank branches remain important, especially in neighborhoods that still lack branches, but branches alone are not an adequate indicator of equitably serving all New Yorkers. For one thing, the products offered must be affordable and available to people who need them, and banks should be penalized for engaging in, or supporting, abusive payday lending and other predatory practices. The proposed regulations place more emphasis on alternative delivery sources (ATMs, internet, mobile banking) as well as evaluating their effectiveness. Looking at the use of and impact of products is positive. But this should not come at the expense of branches, nor give banks a way to expand their banking without any CRA obligation in those areas due to a lack of branches. In assessing the impact, regulators should assess the cost and effectiveness of branch products with regards to accounts opened/closed, branch hours, services offered, language and cultural competency, identi fications accepted, the cost of banking services – including overdrafts, and the income level of the customers themselves. Then evaluate and compare alternative delivery systems.

- **Economic Development:** As explained in more detail in the following section, the economic development category is one of the most misunderstood and underutilized sections of the CRA. **We are pleased that the regulators are examining this category to ensure it has more of an impact by incentivizing quality jobs, and not perpetuating low-wage jobs.** Rather than focus on a range of specific activities, regulators should focus more on how the activity meets local needs. Based on a robust performance context that includes data analysis and converstions with a variety of local contacts, including community organizations, economic development organizations, and workforce development practitioners, banks and regulators can gain a good understanding of the types of jobs local communities need and reward activities that truly meet those needs. **Activities that generate low-wage jobs and jobs with little opportunity for econonic mobility, or that lead to displacement of lower-income people should not get credit.** At the same time, due to the very specific nature of the economic development category, the new Q&A will only cover a segment of the CRA-eligible activities related to jobs and workforce development. When looking at jobcreation and retention, all CRA activities related to jobs and workforce development should be evaluated for their impact on quality jobs that will benefit LMI people in general, and especially people with multiple barriers to employment.

More consistent and detailed data and benchmarking at the local (county or below) level on public Performance Evaluations (PE) across agencies would also go a long way towards increasing transparency and raising the bar as banks are compared to one another: break out grants separate from other investments; show the volume of multifamily loans that also qualify for community development credit; and provide more data on branch products, including costs and how the products are used and adopted. Finally, the agencies should release disclosure reports for Community development loans, CRA-qualified investments, and grants at the county level. They currently only disclose the total number and dollar amount of community development lending nationwide. We are starting to see more details on some PE's already and applaud those efforts – this should be expanded and uniform across regulators.

VALLEY NATIONAL: COMMUNITY ENGAGEMENT MATTERS IN CRA AND GETS RESULTS

In June of 2014, Valley National Bank applied to acquire 1st United Bank in Florida. ANHD was part of a coalition of community groups nationwide that raised strong objections to the proposed merger because we felt that Valley National Bank has not met its obligations and its regulators were not sufficiently holding them accountable.

Public data demonstrated a very poor record of lending by Valley National, but regulators still gave the bank a Satisfactory rating on their latest CRA exam. As we learned from bank-reported data, Valley National has made no CRA-qualified investments or grants in New York City in at least the past 3 years, and none in the greater New York region in 2012 or 2013.

The regulators heard us. Following a lengthy process during which ANHD and allies responded to both the CRA exam and the merger application, the merger was approved, but only under the condition that Valley National "comply with all the terms and conditions of its CRA Plan" that it submitted to the OCC. The bank committed to make the plan public and to report regularly on its progress. This requirement of a bank CRA plan is an unusual and positive step by the regulators.

The OCC's conditional approval letter provided some insight into what the plan will include and, through input from local organizations, we hope it will improve beyond this:

- $30 million allocated to a new first time home buyer program that will include lower down payments, less restrictive credit underwriting requirements, and homebuyer counseling.
- An increase in their grant budget to $250,000 in 2015 (up from $50,000 in 2013).
- In 2014 they established a small business lending unit to concentrate on automated and efficient delivery of credit lines and loans up to $100,000.
- A dedicated team to develop commercial loans in the Bronx.

The CRA plan promises enhancements in home mortgage lending to LMI geographies, small business lending to LMI borrowers and in LMI geographies, multifamily housing lending, and community development investment needs. They must comply with the terms of this plan, which will also be factored into their next CRA exam.

We applaud the OCC for taking our comments into account and the bank for making a good faith effort to improve its CRA record. Already, ANHD has noted some improvements in Valley National's performance since the exam period. We look forward to continuing to meet with Valley National's leadership and to engage with them throughout the next few years as the plan is put into practice.

ECONOMIC DEVELOPMENT UNDER THE CRA

Economic Development is probably the most misunderstood and challenging category within the Community Reinvestment Act's (CRA) categories of community development. Activities that further equitable economic development are even less understood. ANHD believes that the CRA should be used to encourage more intentional investments in equitable economic development in New York City.

Equitable economic development goes beyond expanding the tax base and beyond simply creating and preserving jobs. It is about the jobs being created and the people being served. **Equitable economic development is about creating the systems and environments to create a stable middle and working-class employment base and work-force that creates a meaningful path to the middle class. It ensures that these systems and opportunities are intentionally extended to the low- and moderate-income and underserved communities that need them most through targeted strategies for quality job creation, small business development, and workforce development and placement.**

The majority of ANHD member organizations have long been recognized for their expertise and central role in affordable housing development, using government-backed programs that leverage investment brought to the table by the CRA. CDCs are responding to this economic reality that directly impacts people in their neighborhoods as they are working on, or expanding into, economic development.

Over the 35 years since the CRA was passed, New York City has developed one of the richest ecosystems and infrastructures in the country to build and preserve affordable housing. The CRA has fostered collaboration among governments, developers, nonprofit organizations, and banks that has led to the creation of a robust infrastructure with a wealth of CRA motivated capital to support it. The housing problem is far from solved, and banks can always do more to invest in affordable housing, but the barriers today have more to do with furthering policies and public dollars to leverage this capital.

Now is the time to develop a similar ecosystem to drive equitable economic development in New York City. **There is no reason why all stakeholders can't take the same strategic, intentional approach to economic development that has been taken for housing in order to develop the tools and resources needed to support New York City's businesses and workers.**

Conventional Small Business Lending

New York City is home to over 224,000 small businesses that employ fewer than 20 people, up from 187,000 in 2000.[31] The City is also home to over 810,500 "Non-employers" (self-employed individuals that file taxes, but have no payroll) where the business may or may not be their primary source of income. In New York City, these self-employed businesses generate nearly $35 billion in receipts.

A new report by the Center for an Urban Future found that the smallest of businesses accounted for over 80% of new businesses since 2000, and outlined specific ways the City and private sector could help them grow. Small businesses are particularly important to immigrants who make up over 36% of the City population, 46% of the labor force, and 48% of all business owners. An earlier study by CUF found that the self-employment rate for immigrants

[31] Foggin, M, Zonis, N, Bowles, J, et alia – Center for an Urban Future (2014), Small Business Success, https://nycfuture.org/pdf/Small-Business-Success.pdf

exceeds that of native-born New Yorkers in all boroughs except Manhattan.[32] They also found that the self-employed are predominantly immigrants and native-born Whites. However, very few native-born poor people of color are starting their own businesses. This reveals great opportunity for both traditional lending and additional services to help these populations successfully open and manage their own businesses.

The Federal Reserve Bank of NY conducts surveys every 6 months of small businesses in the region, the most recent being in May 2013.[33] Just about half of all small businesses cited access to credit as a barrier to growth. That drops to 36% of profitable businesses and goes up to 53% of firms breaking even. The survey found that most businesses sought loans for under $100,000, and the majority also applied for lines of credit. On a positive note, 70% of those were approved and most for the full amount. However, it must be noted that half of the businesses owners surveyed did not apply for credit. 18% of the owners described themselves as debt-averse and another 18% are "discouraged," meaning they have a need for credit but didn't even attempt. Instead, 21% resorted to personal credit cards to meet those needs. This offers many opportunities for supporting small businesses through technical support and providing responsible credit.

First and foremost, banks that make small business loans have an obligation to lend equitably. According to the CRA, "small business loans" are actually all business loans of one million dollars or less. CRA regulators look at these loans and evaluate them on a number of criteria: 1) the proportion of loans within the assessment area; 2) the distribution of loans within low-, moderate-, middle- and upper-income census tracts; 3) the proportion of loans to small businesses where in this context, a small business is defined by having gross annual revenues of one million dollars or less; and 4) the distribution of loans by loan amount (less than $100 thousand, $100 thousand - $250 thousand, $250 thousand - $1 million).

It must be noted that, as valuable as this data is, it is also extremely limited, making it challenging to use as a test of bank response to small business credit needs. For one thing, data is not reported at the census tract level. Loans are aggregated at the county level with a breakdown of how many of those loans were made in LMI tracts, but it is impossible to know how many loans a bank made in a particular census tract or neighborhood. Second, loan originations, refinancings, renewals, and lines of credit are all treated equally; there are no separate categories to distinguish them. Similarly, business credit cards are treated the same as traditional bank loans/lines of credit, even though they could potentially have significantly higher interest rates, especially if someone is late on a payment at one point. Finally, the reporting does not make transparent many pieces of data that would help the public better evaluate the impact of a bank's lending practices, including, but not limited to, the actual size of the business in terms of revenue and/or number of employees in the business; income level of owner and/or employees; race or gender of the business owner; the type of business; or demand for loans as measured by the number and amount requested in applications filed, denied, and withdrawn.

For some types of loans, particularly credit card loans, banks may not take revenue size into account in their underwriting, and they aren't required to do so for any loan. More traditional loans are more likely to use revenue size and, given that revenue size is the only data we have available to determine a loan to a smaller business, we believe those loans are a better indication of a bank's record of small business lending. All types of loans are important, but lending to smaller businesses must carry more weight, thus this report evaluates loan to small businesses and their distribution within low- and moderate-income census tracts. ANHD looks forward to the implementation of Section 1071 of the Dodd Frank Wall Street Reform and Consumer Protection

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[32] Laney, K; Bowles, J.; Hilliard, J (April, 2013) "Launching Low-Income Entrepreneurs" published by the Center for an Urban Future, retrieved from: http://nycfuture.org/pdf/Launching-Low-Income-Entrepreneurs.pdf
[33] Federal reserve study: http://www.ny.frb.org/smallbusiness/Spring2013/

Act of 2010, which requires lending institutions to collect and disclose more data on small business lending, akin to what HMDA provides for home mortgages. The purpose of Section 1071 "is to facilitate enforcement of fair lending laws and enable communities, governmental entities, and creditors to identify business and community development needs and opportunities of women-owned, minority-owned, and small businesses."[34]

TABLE 42

CRA SMALL LOANS TO BUSINESSES ($ IN MILLIONS)

Small Loans to Businesses (loans of one million dollars or less to businesses of any size)					
	2011	2012	% Change	2013	% change
Small Loans to Businesses (#)	92,223	86,419	-6.3%	82,474	-4.6%
Small Loans to Businesses ($)	$3219	$3408	5.9%	$3643	6.9%
... in LMI tracts (#)	25,729	23,858	-7.3%	23,669	-0.8%
... in LMI tracts ($)	$712	$780	9.5%	$890	14.1%
Average % in LMI tracts (#)	27.3%	28.8%	5.3%	28.9%	6.4%
Average % in LMI tracts ($)	24.6%	27.2%	10.4%	29%	1%
Small Business Loans (loans of one million dollars or less to businesses with revenue of one million dollars or less)					
Small Business Loans (#)	26,044	27,079	4%	26,880	-0.7%
Small Business Loans ($)	$832	$974	17.1%	$1140	17.1%
... <$1M Rev in LMI tracts (#)	7,239	7,354	1.6%	7,617	3.6%
... <$1M Rev in LMI tracts ($)	$189	$249	31.6%	$331	33.1%
Average % in LMI tracts (#)	27.2%	31.6%	16.5%	27.2%	-13.9%
Average % in LMI tracts ($)	24.7%	30.9%	25%	28.8%	-6.8%

Among the 20 retail banks in this study, after a large increase in 2010, the number of small loans to businesses overall decreased from 2011 to 2012 (down 6.3%), while the dollar amount went up by about the same amount (up 6%). Similarly in lower-income tracts, the number of loans decreased 7.3% and the dollar amount increased 9.5%. The picture was quite different for small business loans (loans to businesses with revenues under one million dollars). The number of small business loans increased 4%, while the dollar amount increased 17%. In lower-income tracts the number of loans increased only very slightly, up just 1.6%, but the dollar amount increased by a third (32%). In 2013 the number of small business loans were flat overall, and increased 4% in lower-income tracts, while the dollar amount loaned increased 17% overall and 33% in LMI tracts. On a positive note, more dollars are going out the door and presumably some businesses are getting larger loans, yet fewer borrowers are getting access to those loans.

As in previous years, the larger national banks made the vast majority of small loans to businesses. Chase originated the most loans by far – making over 40,000 loans in 2012 and 34,500 in 2013, with nearly a third of those in lower-income tracts. Capital One and Citibank follow, each making over 11,000 small loans to businesses, also about a third in lower-income tracts. Once again, Chase reported a very small percentage of its loans as being to businesses with revenues of one million or less – just 4.75% in 2012 and 1.4% in 2013. All four have major credit card businesses, but Chase does not capture revenue in its credit card lending, making it extremely difficult to evaluate how many of their loans are reaching small businesses. Chase is one of the largest SBA lenders, which is certainly meaningful, but SBA lending

[34] HR 4173 – Dodd Frank Wall Street Reform and Consumer Protection Act, Sec. 1071, retrieved from: http://thomas.loc.gov/cgi-bin/bdquery/z?d111:H.R.4173:

accounts for less than 2% of allsmall business loans.[35] Some lenders have been cutting back on their small business lending, with Chase and HSBC declining the most. Chase's small loans to businesses declined by 25% from 2011 to 2013, although the dollar amount declined by just 1.4%, and for loans to small businesses, the number of loans declined 74% over the 3 years, with the dollar amount down 56%. In 2012, about half of Chase's 3,830 bank loans (made through JPMorgan Chase) were to small businesses, with 16% of the dollars going to them. In 2013 the number drops to 2,005 loans, with just 24% going to small businesses and just 8% of the dollars loaned.

From 2011 to 2012, HSBC made 20% fewer small business loans, while Capital One made about 12% more, likely reflecting the sale of HSBC's US Credit card division to Capital One. HSBC's lending declined further in 2013. Capital One's loans leveled off, but it loaned more money. On the other hand, Bank of America ramped up its lending considerably, nearly doubling the number of loans from 2011-2013 and increasing the dollar amount by 30% overall and by 56% to small businesses. Just about half of those went to small businesses each year and averaging about a quarter in LMI tracts. TD Bank also showed increases.

TABLE 43

2013: LARGEST VOLUME SMALL BUSINESS LENDERS (OVER 1500 SMALL LOANS TO BUSINESSES)

Small Business Loans (loans to businesses with $1M or less in Revenue)							Total CRA Small Business Loans (all loans under one million)				
Bank	Small Business Loans (#)	Small Business Loans ($)	% of all loans to businesses (#)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts	Small Loans to businesses (#)	Small Loans to businesses ($)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts
Capital One	5363	$65.28	40.2%	1857	34.63%	$17.92	13357	$610	4232	31.7%	$154
Bank of America	5531	$95.45	55.1%	1661	30.03%	$24.62	10046	$348	2827	28.1%	$81.12
Citibank	7471	$80.79	67.6%	2082	27.87%	$19.32	11059	$185	3096	28%	$39.56
TD Bank	1838	$57.62	67.8%	455	24.76%	$15.60	2711	$143	622	22.9%	$34.35
Chase	487	$45.83	1.4%	120	24.64%	$12.04	35213	$917	10623	30.2%	$199
HSBC	2439	$148	57.6%	598	24.52%	$30.50	4233	$405	988	23.3%	$79.54
Wells Fargo	2060	$77.11	62.7%	386	18.74%	$12.55	3286	$156	623	19%	$26.58
*Chase's credit card division, Chase Bank USA, does not record revenue at all – JPMorgan Chase (the bank) made 2,005 loans – 24% (487 loans) were to businesses with revenue under one million dollars, but only 8% of the dollars went to these businesses											

TABLE 44

2012: LARGEST VOLUME SMALL BUSINESS LENDERS (OVER 1500 SMALL LOANS TO BUSINESSES)

Small Business Loans (loans to businesses with $1M or less in Revenue)							Total CRA Small Business Loans (all loans under one million)				
Bank	Small Business Loans (#)	Small Business Loans ($)	% of all loans to businesses (#)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts	Small Loans to businesses (#)	Small Loans to businesses ($)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts
Capital One	5,365	$52.23	40.8%	1,831	34.1%	$14.93	13,163	$555	4,378	33.3%	$145
Citibank	8,608	$99.88	64.2%	2,343	27.2%	$21.34	13,413	$236	3,837	28.6%	$51.75
Bank of America	3,536	$67.53	48.4%	960	27.2%	$14.24	7,310	$322	1,838	25.1%	$68.27
HSBC	3,480	$177	61%	904	26%	$38.89	5,704	$445	1,355	23.8%	$94.43
Chase*	1,906	$114	4.8%	463	24.3%	$28.32	40,114	$1,023	11,132	27.8%	$220
TD Bank	1,212	$36.25	69.8%	258	21.3%	$7.30	1,736	$96.32	353	20.3%	$20.69
Wells Fargo	1,657	$68.48	58.8%	296	17.9%	$13.64	2,816	$145	499	17.7%	$24.79
*Chase's credit card division, Chase Bank USA, does not record revenue at all – JPMorgan Chase (the bank) made 3,830 loans – 49% (1,906 loans) were to businesses with revenue under one million dollars, but only 16% of the dollars went to these businesses											

[35] Shane, S.,"How Common are Small Business Administration Loans?", Small Biz Trends, September 16, 2013, http://smallbiztrends.com/2013/09/sba-small-business-administration-loans.html

Among small business loans to businesses with revenues of one million or less, Citibank once again made the most loans – 8,608 in 2012 and 7,471 in 2013, followed by Capital One at over 5,300 in both years. Bank of America followed close behind in 2013. These three banks also led the field in the percentage of these loans in LMI tracts, with Capital One at 34% and Citibank and Bank of America at just over 27% each year. TD Bank made over two-thirds of its business loans to small businesses in 2012 and 2013; only 21% were in LMI tracts in 2012 and 24% in 2013.

Six "middle lenders" made between 100 and 1,500 loans in NYC, with Signature leading the lenders at this volume. Over 70% of Signature's loans were to small businesses, such that they exceeded Chase's volume of loans to the smallest businesses overall and in lower-income tracts. In 2012, only 21.5% of Signature's loans were in lower-income tracts, but that went up to 28% in 2013 – closer to their 2011 percentage. Signature has historically not provided credit card loans, which potentially makes these loans more responsive to credit needs. Valley National, too, showed a negative trend in 2012, but improved in 2013. We are pleased to see M&T's numbers up in 2012, with more loans to small businesses and a larger percentage of those in lower-income tracts, but the numbers declined again in 2013 with barely 15% of small business loans in LMI tracts.

TABLE 45

2013: MIDDLE VOLUME SMALL BUSINESS LENDERS (100-1500 SMALL LOANS TO BUSINESSES) ($ IN MILLIONS)

Small Business Loans (loans to businesses with $1M or less in Revenue)							Total CRA Small Business Loans (all loans under one million)				
Bank	Small Business Loans (#)	Small Business Loans ($)	% of all loans to businesses (#)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts	Small Loans to businesses (#)	Small Loans to businesses ($)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts
Valley National	137	$63.83	4.6%	47	34.3%	$29.18	251	$119	68	27.1%	$37.95
Signature	839	$342	77.8%	243	29%	$121	1079	$417	295	27.3%	$139
NY Community	148	$77.16	60.4%	42	28.4%	$24.14	245	$129	57	23.3%	$32.55
Santander	338	$35.97	60.1%	67	19.8%	$6.36	562	$80.13	115	20.5%	$15.40
Astoria	67	$1.94	56.8%	11	16.4%	$0.26	118	$11.06	27	22.9%	$2.75
M&T	66	$17.65	36.9%	10	15.2%	$3.66	179	$51.97	35	19.6%	$11.06

TABLE 46

2012: MIDDLE VOLUME SMALL BUSINESS LENDERS (100-1500 SMALL LOANS TO BUSINESSES) ($ IN MILLIONS)

Small Business Loans (loans to businesses with $1M or less in Revenue)							Total CRA Small Business Loans (all loans under one million)				
Bank	Small Business Loans (#)	Small Business Loans ($)	% of all loans to businesses (#)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts	Small Loans to businesses (#)	Small Loans to businesses ($)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts
NY Community	193	$84.49	74%	52	26.9%	$23.13	161	$115	60	23%	$26.43
M&T	64	$12.15	43.2%	17	26.6%	$2.42	148	$35.48	38	24.3%	$8.65
Signature	564	$185	70.5%	121	21.5%	$68.10	800	$250	187	20.9%	$79.57
Santander	325	$29,47	61.3%	68	20.9%	$5.67	530	$68.84	104	19.6%	$13.53
Astoria	47	$1.56	38.5%	9	19.2%	$0.24	122	$6.98	29	23.8%	$2.02
Valley National	78	$30.69	33.6%	9	11.5	$5.73	232	$87.827	37	16%	$17.19

Community Development Lending & Investments for Economic Development

Community development under the CRA encompasses a wide, but very well-defined, range of activities targeting lower-income people and communities to increase access to affordable housing; provide community services; promote economic development; revitalize or stabilize communities; and support certain foreclosure prevention activities. In general, loans that are evaluated by CRA regulators as 1-4 family home purchase, refinance, or home improvement loans, or conventional small business loans of one million dollars or less cannot be considered as community development loans. **Other loans can get credit under the economic development category if they meet both a "size" and "purpose" test.**

- It meets the **size test** if it is determined to finance (directly or through an intermediary) small businesses as defined by SBA standards or by having revenues of one million dollars or less.
- To meet the **purpose test,** the activity must promote economic development by **supporting permanent job creation, retention, and/or improvement for persons who are currently LMI, or in LMI geographies, or in areas targeted by governments for redevelopment.** Construction jobs are considered temporary jobs and thus do not count towards the job numbers. There are also some specific loans and investments that automatically qualify for CRA credit in the economic development category.

Activities that support equitable economic development, but do not meet both the size and purpose test, or otherwise qualify for economic development credit, might still get CRA credit under another category.

Equitable economic development can encompass multiple sectors and strategies. One specific strategy ANHD has been advocating for is to preserve and create quality jobs in the light manufacturing sector. A fundamental piece of this strategy is to ensure that New York City has adequate space and resources for manufacturing businesses to start-up, develop, grow, and expand. Manufacturing jobs have an average salary of about $52,000 a year, which adds far more wealth to the community than low-wage jobs like those found in the retail sector. Manufacturing jobs also offer an entry place for people without a formal education or with limited English skills. Industrial spaces developed, managed, and operated by nonprofit organizations are best suited to support businesses that will create the kind of stable, good paying, quality jobs our communities need. Of course, expanding manufacturing is just one strategy to create quality jobs, but all strategies should be encouraged.

The CRA allows for many ways that banks can contribute to economic development through loans, investments and grants. These can be done directly with businesses or through government entities, loan pools, Community Development Financial Institutions (CDFIs), or other intermediaries and investment vehicles that serve businesses meeting the size and purpose test.

Because this category of community development is both limited and misunderstood, it is highly underutilized and not as effective as it could be. For one thing, as mentioned above, the "size" and "purpose" tests are very specific tests. The regulations are unclear with respect to jobs for low- and moderate-income people, especially the quality of those jobs. For example, technically a new minimum wage job is creating a job for a low-income person who will remain low-income, but that is not necessarily going to help that person or family get out of poverty. On the other hand, we have heard it can be harder to demonstrate jobs that are created for a formerly low- or moderate-income person to move into a middle-income job, or even into a lower-wage job with a clear path to better pay and/or benefits, both of which would have a longer-term positive impact on the person and community. Also, there are clear metrics to determine if a home is going to a low- or moderate-income borrower or if an apartment is affordable and to whom it is affordable. No such metric exists for business rent.

The following activities automatically meet the **purpose test** for economic development credit under the CRA: investments in New Markets Tax Credit (NMTC) entities and Small Business Investment Corporations (SBICs), loans to NMTC entities, and SBA 504 loans. The proposed regulations will also include CDFI's. While we would prefer that all loans and investments be evaluated for their impact, especially SBIC's, if a pre-approved list is going to remain, we are pleased that CDFIs were added.

If an activity does not fall into those automatic categories, banks must provide clear evidence and support as to why a deal meets a community development purpose, and more specifically, an economic development purpose. This is especially challenging for businesses outside of a low- or moderate-income geography or an area targeted for redevelopment that must show the jobs benefit LMI people, with little guidance on what income levels qualify or, better yet, how to show that the job is moving someone out of poverty and into a middle-class job. Yet, for businesses

TABLE 47

NEW IN 2013: LOANS, INVESTMENTS, GRANTS FOR ECONOMIC DEVELOPMENT: The low numbers demonstrate both how under-utilized the category is, and the mismatch between the category and the range of community development activities that contribute to quality jobs. ($ in millions)

2013 Community Development Lending: Percentage to economic development among banks that reported. Community development under the CRA includes some permanent multifamily loans, but ANHD separates them out for analysis. This chart shows the percentage of community development lending for economic development by both our measure, and the CRA measure.

Excluding Multifamily Community Development Lending							Including Multifamily CD Lending			
	CD Loans (#)	CD Loans ($)	CD Loans for Ec. Devt ($)	CD Loans for Ec. Devt (#)	% for Ec. Devt (#)	% for Ec. Dev ($)	CD Loans including MF (#)	CD Loans including MF ($)	% for Ec Devt (#)	% for Ec Devt ($)
Largest Banks										
TD Bank	9	$36.70	$11.50	1	11.1%	31.3%	9	$36.70	11.1%	31.3%
Bank of America	49	$158	$15.40	6	12.2%	9.8%	56	$231	10.7%	6.7%
Wells Fargo	22	$385	$5.61	1	4.6%	1.5%	28	$453	3.6%	1.2%
HSBC	21	$86.93	$0.35	1	4.8%	0.4%	21	$86.93	4.8%	0.4%
Capital One	25	$178	$0.00	0	0%	0%	77	$538	0%	0%
Chase	48	$465	$0.00	0	0%	0%	128	$615	0%	0%
Citibank	33	$794	$0.00	0	0%	0%	34	$794	0%	0%
M&T	24	$187	$0.00	0	0%	0%	37	$271	0%	0%
Santander	4	$6.75	$0.00	0	0%	0%	6	$10.45	0%	0%
Smaller Banks										
Signature	65	$242	$242	65	100%	100%	326	$875	19.9%	27.7%
Dime	1	$.25	1	$.25	100%	100%	56	$125.60	1.8%	0.2%
Valley National	23	$30.74	$29.88	22	95.7%	97.2%	23	$30.74	95.7%	97.2%
NY Community	83	$456	$278	26	31.3%	61.1%	613	$2897	4.2%	9.6%
Carver	41	$28.21	$7.67	13	31.7%	27.2%	42	$32.71	31%	23.5%
Apple	2	$23.00	1	$1.00	50%	4.4%	40	$110.16	2.5%	0.9%
Astoria	7	$11.60	$0.10	1	14.3%	0.9%	85	$181	1.2%	0.1%
Ridgewood	2	$1.75	$0.00	0	0%	0%	54	$98.34	0%	0%
Popular Comm.	19	$32.87	$0.00	0	0%	0%	27	$56.40	0%	0%
Wholesale										
Goldman Sachs	12	$214	$85.95	7	63.6%	53.6%	Not applicable			
Morgan Stanley	14	$99.71	$4.30	3	21.4%	4.3%	Not applicable			
Deutsche Bank	22	$126	$0.65	3	13.6%	0.5%	Not applicable			
Bank of NY Mellon		$156	$0		0%	0%	Not applicable			

inside the qualified geographies, any loan that supports a business that creates or retains any permanent jobs could qualify, while those jobs are not required to benefit low- and moderate income people at all. Regulators should concentrate more on documented needs and how the loans and investments are meeting those needs.

ANHD believes that the CRA should be more intentional in how it measures and incentivizes activities that support equitable economic development, so as to create and retain quality jobs and infrastructure to support those businesses and workers. This is what our City needs to rebuild the middle class and create pathways to opportunity for many New Yorkers who have few options available to them except for lower-paying service sector jobs.

TABLE 48

CRA-QUALIFIED INVESTMENTS 2013: PERCENTAGE TO ECONOMIC DEVELOPMENT ($ IN MILLIONS)

	Total (#)	Total ($)	for Ec. Devt (#)	for Ec. Devt ($)	% for Ec. Devt (#)	% for Ec. Devt ($)
Largest Banks						
Citibank	16	$423	1	$3.00	6.3%	0.7%
HSBC	37	$250	2	$0.90	5.4%	0.4%
Capital One	17	$124	3	$0.18	17.7%	0.2%
Wells Fargo	26	$634	1	$0.50	3.9%	0.1%
Chase	48	$500	0	$0.00	0%	0%
M&T	5	$0.50	0	$0.00	0%	0%
Santander	1	$5.00	0	$0.00	0%	0%
TD Bank	7	$73.04	0	$0.00	0%	0%
Smaller Banks*						
NY Community	10	$20.22	1	$3.19	10%	1.7%
Signature	8	$35.21	1	$0.25	12.5%	0.7%
Carver	3	$5.98	0	$0.00	0%	0%
Popular Comm.	3	$4.03	0	$0.00	0%	0%
Ridgewood	5	$9.80	0	$0.00	0%	0%
Astoria	1	$20	0	$0.00	0%	0%
Wholesale						
Goldman Sachs	9	$76.22	4	$39.54	44.44%	51.9%
Deutsche Bank	2	$41	0	$0.00	0%	0%

* Valley National and Dime made no new CRA-qualified investments in 2013

TABLE 49

GRANT DOLLARS 2013: PERCENTAGE TO ECONOMIC DEVELOPMENT

	Total ($)	% for Ec. Devt ($)
Largest Banks		
Capital One	$7.27	34%
Bank of America	$3.00	31%
HSBC	$1.03	16%
Citibank	$9.69	7.6%
Wells Fargo	$1.67	7%
M&T	$0.72	5%
Chase	$9.83	3%
Santander	$0.05	0%
TD Bank	$1.77	0%
Smaller Banks		
Carver	$0.38	66.3%
Astoria	$0.19	48%
Popular Comm.	$0.34	10%
Ridgewood	$0.08	10%
NY Community	$1.40	4.5%
Wholesale		
Deutsche Bank	$5.26	64%
Goldman Sachs	$20.62	0%

With a few notable exceptions, the percentage of loans and investments under the economic development category is very small. Table 47 demonstrates this using two measures for community development lending, while Tables 48 and 49 looks at CRA-qualified investments and grants. For this report, ANHD defines community development lending as loans used to build and preserve affordable housing, promote jobs and economic development, provide community services, and improve and revitalize City neighborhoods. Under the CRA lending test, banks can also receive community development lending credit on CRA exams for permanent financing of multifamily buildings where rents are affordable to low- and moderate-income tenants, or perhaps where the building is otherwise determined to contribute to neighborhood revitalization and stabilization. ANHD does not include them in community development loans – they are evaluated separately in the analysis of multifamily lending in New York City. In order to demonstrate how the economic development category is utilized, ANHD calculates the percentage two ways – first using our

definition, and second by including multifamily community development loans. Given that we do not include economic development in our overall volume index or quality score, this is simply for the purposes of understanding how the category is used and how it might be improved. Of course the second metric reduces the percentage of loans to economic development for any bank that made even one multifamily community development mortgage loan. The distinction is most stark in banks like Signature and New York Community Bank that do large volumes of multifamily lending, with many of those loans also counting for community development credit. For example, Signature reports that all nonresidential community development loans supported job creation. These 65 loans make up nearly a quarter of their total community development lending activity including the multifamily loans, still one of the larger percentages. Whereas for New York Community Bank, its 26 economic development loans make up 61% by dollar amount and 33% by volume of its nonresidential loans, but that drops to closer to 10% and 4% when factoring in the multifamily loans.

A few banks, including Capital One and TD Bank, have second look programs to facilitate access to credit and small business services for not-yet bankable small businesses. Applicants declined for bank loans may be referred to select, approved, nonprofit lenders for a "second look." These lenders help applicants secure financing and provide the technical assistance to grow the business. Banks typically refer applicants to CDFI's, and often these same banks will make investments of grants and capital into the CDFI's to support this work. TD Bank works very closely with Acción, while Capital One works more with BOC and TruFund Financial Services (formerly Seedco). Capital One also makes below-market loans to nonprofit CDFI's that work on a range of areas within lower-income communities, including economic development. Similarly, a number of banks make efforts to contract with small businesses in their supply chains. While this alone does not get CRA credit, it is a factor considered in conjunction with other financing and services related to business development.

Many institutions, including Bank of America, Citibank, Chase, Capital One, Wells Fargo, and Bank of NY Mellon among others, also make grants to support workforce development and technical assistance to organizations that support small businesses. Citibank has taken some very novel approaches to supporting small businesses in general, and immigrant businesses in particular. Citibank was an early funder of New York City's small business centers and has partnered with them and local organizations to create programs specifically for immigrant small businesses. Bank of NY Mellon has for years supported workforce development targeted to specific high-needs populations. Chase, too, announced a new focus on economic development in 2014. Chase is already one of the largest SBA lenders in the country and has long supported workforce development initiatives. Chase's new initiative is focused on reducing the "skills gap" in order to open up job opportunities to more unemployed or low-wage workers. This includes workforce development, mentorship, and small business assistance. We look forward to seeing the impact here in New York City, especially in light of the new study Chase released that identifies specific skills gaps and offers ways to move people into better paying jobs and careers.

Certainly, all banks will look at the loans in their portfolio to see which can get CRA credit. This would include the activities that get automatic credit, such as SBIC's and 504 loans. Banks will also look for loans in LMI tracts and in areas targeted for redevelopment to see if they too would meet a community development purpose, perhaps for providing services such as pharmacies or supermarkets, or for the jobs retained or created in those areas by nature of being a new business or simply not laying people off. We certainly want credit flowing to underserved neighborhoods that provide services and jobs, but the impact of the loan matters. And some banks go further and take a more intentional approach by partnering with nonprofits and municipalities to create and preserve quality jobs. These are the types of activities that must be encouraged and incentivized.

A few examples stand out as demonstrating a commitment to equitable economic development:

- **Goldman Sachs' 10,000 Small Businesses initiative** is a global effort to provide capital and technical support to small businesses and has been used in a variety of fields and localities, including two specific programs in NYC. The **Food Manufacturers Growth Fund**, developed in partnership with NYC EDC, with the industrial business resource center EWVIDCO as the technical assistance provider, assists small businesses in the food manufacturing field. **The NYC Loan Mobilization Fund** was developed with NYC Small Business Services (SBS), the Surdna Foundation, and BOC Capital. Goldman Sachs provided a **$2.8 million loan** as part of a **$3.5 million loan facility** to BOC Capital, which it is using to make loans to small construction contractors that have been awarded public or private construction contracts.
- **New Markets Tax Credits (NMTC)** equity investments and loans have been very effective in leveraging capital and investments to create quality jobs in the manufacturing sector nationwide. One of **Goldman Sachs'** NMTC equity investments was used in 2012 to finance the renovation of Building 128 at the Brooklyn Navy Yard to convert a complex of three vacant connected steel buildings into a modern light industrial facility which will add approximately 338 manufacturing jobs at two companies. Goldman Sachs made an additional Historic Tax Credit equity investment into the site in August 2013.
- Deutsche Bank's Community development team consistently partners with and supports local CDC's and CDFI's with philanthropic grants and low-cost capital, understanding that both are needed. Deutsche Bank's signature **Working Capital Program** has typically provided predevelopment support in the form of grants and 0% interest loans to CDCs for affordable housing development. The 2012 RFP was **specifically broadened to also include economic development projects.** Awardees include: **Greenpoint Manufacturing and Design Center for its 1102 Atlantic Avenue rehabilitation into multi-tenanted manufacturing space** and GrowNYC for its wholesale farmers market development.
- Starting in 2010, **Citibank** partnered with the NYC Department of Small Business Services to start the **NYC Business Solutions Centers,** designed to help small businesses and entrepreneurs obtain the technical assistance and financing they need to start, operate and expand during challenging times. Citibank has provided ongoing funding and support to this initiative. The majority of the centers are located in LMI census tracts.
- **Citibank** also funded a study which led to a new **NYC Small Business Technology Coalition.** This is a partnership among Citibank, five nonprofit partners, and the NYC SBS to launch or expand technology-related assistance to help LMI entrepreneurs in NYC lower operating costs, manage operations more efficiently, reach new customers, and be more competitive.
- Carver Bank is a central partner in the MTA's **Small Business Mentor Program,** which is designed to help small minority contractors improve their profitability and expand their businesses by providing them access to capital and bonding capacity. Under the program, Carver provides **working capital lines of credits up to $150,000** to subcontractors with MTA contracts. Carver has created a curtailed underwriting process to approve credits within 10 days of receipt of completed applications. Once the loans are closed, they work closely with the borrowers to develop their financial systems that would be necessary to secure conventional financing.
- In 2010, Morgan Stanley initiated a **commercial real estate lending program** which enabled the U.S. Small Business Administration to offer new economic incentives to small businesses and lenders. Morgan Stanley committed up to **$500 million of credit to small businesses** by working with community bank partners in the secondary market to increase the capital available for commercial real estate investments and job creation. More than $5.6 million from these commitments have been funded in NYC.

Again, these are just examples and not a comprehensive list of activities banks can participate in to support equitable economic development. ANHD believes this should be an integral part of a bank's CRA portfolio as it strives to meet the range of needs of the lower-income people and neighborhoods in New York City. At the same time, given the

confusion of the rules under the CRA, the numbers do not necessarily capture all activities that are creating quality jobs. If this category is to have its intended impact, we believe that the category should capture as many types of economic development as possible to incentive banks to invest in quality jobs.

ANHD makes the following recommendations to banks and regulators, which would of course need to be coupled with bold changes to City and State zoning and investments to complement these projects.

Recommendations for regulators:

- **Clarify** what is meant by job creation for LMI people and provide tools to more readily determine if a particular deal meets the size and purpose test under the CRA.
- **Promote high quality jobs in community development lending and investments** by looking more closely at the quality of the business environment and the jobs created, preserved or improved to gauge their impact. This includes wages, workforce development, benefits, hiring strategies, and supports for small businesses that create quality jobs. Not all CRA activities that promote economic development will meet the strict "size and purpose" tests, but could have a meaningful impact on the types of jobs created and preserved.
- One of the best ways for banks and the community to understand what qualifies for CRA credit and what is important to regulators is through the bank's CRA exams as summarized in the **Performance Evaluation (PEs).** Regulators should raise the need for quality jobs in the **performance context;** include **economic development organizations in the Community Contacts; benchmark** the percentage of loans, investments, and services to each category of community development; and **highlight best practices in the PE** and in CRA literature.
- **Give extra CRA credit for equitable economic development activities**. As indicated in the newly proposed CRA guidance, activities that give LMI individuals and other underserved communities access to quality jobs and a path to the middle class should be considered **responsive** and possibly i**nnovative.**
- **Provide more scrutiny of loans that automatically get CRA credit for Economic Development** to ensure they are truly creating quality jobs and economic opportunities to the people and communities that most need them, focusing more on the people and less on the place.

Recommendations for banks:

- **Staffing**: Banks should develop a well-resourced, high capacity community development team that understands economic development. Commit to working with all stakeholders to develop a coordinated set of financing vehicles, resources, and expertise that can be tapped into by developers, lenders (CDFIs/CDCs) and small businesses themselves
- Ensure that economic development loans, investments, and services have **an intentional strategy to create, preserve, and improve quality permanent jobs.**
- Banks should provide direct financing as well as provide capital and expertise to public-private partnerships that lead to the **development of affordable manufacturing space.** This may happen through **existing or new financing mechanisms.** Banks should make extra effort to provide financing to **nonprofit developers of industrial space.**
- **Increase traditional small business lending** in LMI census tracts and to the smallest businesses; increase access to affordable lines of credit; consider alternate forms of credit; provide flexibility for long-standing businesses that hit upon hard times; create products that match sector needs; have loan staff that can do intentional out reach in LMI and immigrant communities; implement a **"second look" program** that refers declined borrowers to alternative lenders who can provide loans and technical assistance and help businesses enter the banking mainstream in the future.

- **To supplement traditional bank lending, banks should provide both capital and philanthropic support to nontraditional lenders and CDCs/LDCs that support these businesses.** These institutions incorporate "high-touch" models that provide extensive support to borrowers. They also provide one-on-one support, training, workforce development, and resources to help small businesses operate more efficiently and effectively. **Banks can also provide in-kind support,** such as mentoring, training, and skills-building for small businesses and nonprofits serving them.

1-4 FAMILY LENDING

Trends:

- In 2013, the total number of loans to purchase 1-4 family homes increased by 9.6%, but only by 3.5% to lower-income borrowers. In 2012, the number of loans overall declined by 2.4% overall and by nearly four times that (down 8.3%) to lower-income borrowers. Reflective of trends nationwide due to historically low interest rates, refinance lending increased by about 20% in 2012, and decreased again in 2013. Racial disparities persist, with all but two banks making less than 10% of their home loans to Black or Latino borrowers in either year.
- The foreclosure crisis is far from over. According to the Federal Reserve Bank of NY, as of December 2013, over 11% of homes in some neighborhoods in Queens, the Bronx, and Brooklyn are in foreclosure

Recommendations:

- Create products and dedicate staff specifically for lower-income borrowers with low down payment requirements; reasonable credit assessments that allow for alternative forms of credit; and down payment assistance; and connect to homebuyer counseling. Affirmatively market these products to targeted communities and organizations serving those communities.
- Prevent and responsibly deal with foreclosed homes: Grant more trial and permanent modifications; maintain in good condition homes taken by foreclosure; reduce the delays for homeowners due to lost paperwork, staff changes, timely responses.

While it is true that the majority of New Yorkers rent their homes, homeownership continues to be an important source of housing for many New Yorkers, with homeownership rates hovering around 32% since 2005. Access to affordable, responsible home purchase and refinance loans, as well as assistance in dealing with or preventing foreclosure, are critical to maintaining this housing stock, especially for low-income buyers and communities of color hardest hit by the housing crisis.

TABLE 50

1-4 FAMILY HOME LOANS AMONG ALL LENDERS IN NYC (HMDA)

1-4 Family Home Purchase loans					
	2011	2012	% Change	2013	% Change
Total Loans (#)	24,838	24,826	-0.5%	28,415	14.5%
Total Loans ($)	$10.8 B	$11.6 B	7.8%	$13.9 B	19.1%
... to LMI borrowers (#)	2,324	2,348	1%	2,367	0.8%
... to LMI borrowers ($)	$395 M	$430 M	9%	$405.4 M	-5.7%
1-4 Family Refinance loans					
Total Loans (#)	26,851	33,843	26%	27,917	-17.5%
Total Loans ($)	$10.9 B	$13.5 B	24%	$11.2 B	-17.3%
... to LMI borrowers (#)	2,370	2,880	21.5%	2531	-12.1%
... to LMI borrowers ($)	$388 M	$520 M	34.2%	$479 M	-9.5%

The City and country are still struggling after the financial collapse. The largest banks played a major role in setting up and profiting from making irresponsible loans and securitizing them to sell on the secondary market, which ultimately led to this collapse. They have a particular obligation to help the City recover. We believe that banks, in partnership with the government and nonprofits, can help keep struggling homeowners in their homes and give others the opportunity of affordable homeownership.

TABLE 51

1-4 FAMILY LENDING BY 20 RETAIL BANKS IN THIS STUDY

Home Purchase loans	2011	2012	% Chng	2013	% Chng
Total Loans (#)	14,941	14,590	-2.4%	15,983	9.6%
Total Loans ($)	$6457	$6996	8.3%	$8044	15%
... to LMI borrowers (#)	1,500	1,375	-8.3%	1,423	3.5%
... to LMI borrowers ($)	$217	$215	-0.9%	$207	-3.7%
Refinance loans					
Total Loans (#)	16,755	20,043	19.6%	14,758	-26.4%
Total Loans ($)	$6418	$7780	21.2%	$5597	-28.1%
... to LMI borrowers (#)	1,545	1,616	4.6%	1,218	-24.6%
... to LMI borrowers ($)	$221	$234	5.7%	$176	-24.8%

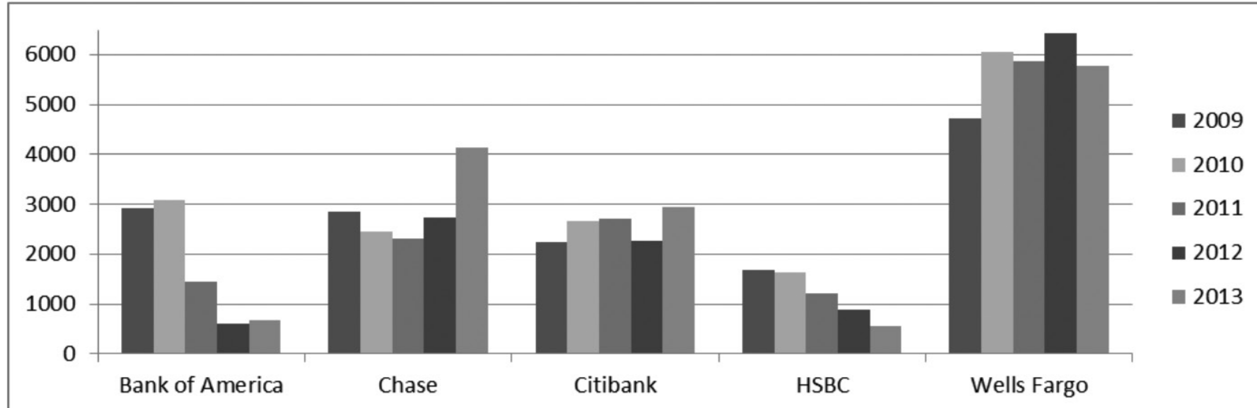
The market is showing signs of recovery, but too many New Yorkers are still struggling to claim the recession has ended. Nationwide, and citywide, home prices have been steadily increasing since mid-2011 and are approaching pre-recession levels. Sales prices in Manhattan actually hit a new peak in both the 2nd and 3rd quarters of 2013.[36] At the same time, mortgage interest rates have been declining for many years and even further since the financial crisis. They reached historic lows in 2012 – below 3% – and have since started inching up again, although they are still below 5%. This combination of increased equity and low interest rates most certainly contributed to the refinance boom nationwide, and in the City. HMDA-reportable refinance loans increased over 26% citywide from 2011 to 2012, and by 21.5% to LMI borrowers. Home purchase lending is also showing signs of recovery, although the numbers have been fluctuating over the past few years. According to 2012 HMDA data the number of home purchase loans in NYC remained relatively flat in 2012, decreasing .5% overall and increasing 1% to LMI borrowers. This follows a sharp decrease from 2010 to 2011.

The 20 retail banks in this study performed worse than the market in 2012 where, overall, they made 2.36% fewer home purchase loans overall and 8% fewer to LMI borrowers. Their year to year increase in refinance loans overall came close to the citywide increase – 20% versus 26%. However, these same banks made only 4.6% more refinance loans to LMI borrowers, which is much lower than the 21.5% increase citywide. HMDA likely under-represents the volume of the refinance loans due to the prevalence of CEMA's, but we wouldn't expect year to year changes to vary much. We are pleased that they performed slightly better in 2013 with home purchase loans to LMI borrowers up 3.5%, versus .81% overall and the dollar amount decreasing 3.7% versus 5.7% overall.

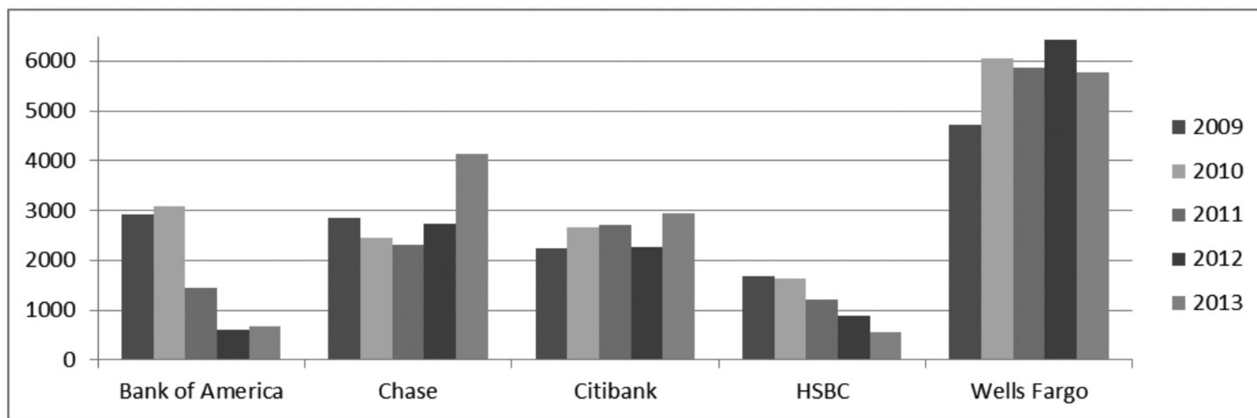
In New York City, 1-4 family lending continues to be dominated by just a few large banks. Wells Fargo, Citibank, Chase, Bank of America, and HSBC together account for about 90% of home purchase loans in our study and more than half of all loans in the City. While Wells Fargo has only 22 branches in NYC, they have a large presence in the mortgage market, making nearly a quarter of all home purchase loans in the City and 19% of all loans to LMI borrowers in 2012. We recognize that some of the smaller savings banks face unique challenges in competing with the larger national and regional banks. They may not have the branch and office presence or budgets to compete with the larger banks. But, like all banks, they still have an obligation to lend equitably where they do lend.

[36] Furman Center quarterly reports 2013

HOME PURCHASE LOANS 2009-2013 — LARGEST VOLUME LENDERS



HOME PURCHASE LOANS TO LMI BORROWERS 2009-2013 — LARGEST VOLUME LENDERS



The overall trend among lenders can mask large swings at individual banks. For example, while Chase has been steadily increasing its home purchase lending over the past three years, lenders like Bank of America and HSBC have been declining. Bank of America cut its home purchase lending in half overall and by 72% to LMI borrowers from 2011 to 2012. While their overall lending increased modestly in 2013, their loans to LMI borrowers decreased by another 60% in 2013. Meanwhile, HSBC has been reducing its lending in all categories, down from 1,212 in 2011 (159 to LMI borrowers) down to 561 in 2013, with only 71 to lower-income borrowers. 2013 also marks a change in tide as Chase's volume of lending approaches that of Wells Fargo and, for the first time in recent years, Chase made the largest number of loans to lower-income borrowers – 495 loans in 2013, versus Wells Fargo's 321. Bank of America pulled out of SONYMA, which likely impacted its lending. We are concerned that Chase's decision to do the same, as well as possibly exiting from offering any FHA loans, will have a similar impact on its ability to make homeownership accessible and affordable to lower-income borrowers.[38] Citibank demonstrated a sharp decline in its lending in 2012, but the numbers went up again in 2013.

In the next tier of lenders, TD Bank and M&T have been increasing their lending over the years, and we are pleased that both increased their lending to lower-income borrowers at a higher rate than their lending overall. M&T made the largest increase in home purchase loans to LMI borrowers in 2012, nearly tripling their volume from 2011 to 100 loans. M&T increased volume anther 35% in 2013 to 135 loans. Capital One's home lending had been increasing over the years. While their lending overall declined in 2013, the number of loans to lower-income borrowers did not.

[38] http://www.mortgagenewsdaily.com/07152014_chase_fha_lending.asp

HSBC SHOULD STRENGTHEN CRA ACTIVITY IN NYC

HSBC is the 3rd largest retail commercial bank by deposits in NYC, but ANHD member groups are concerned that it isn't having the impact that a bank this size should have. The bank ranks 5th among the largest retail banks in total volume of reinvestment dollars and 6th in its percentage of reinvestment dollars to deposits (2012: $518 million = 1.01% deposits; 2013: $389 = .73% of deposits).

Like many banks, HSBC struggled after the financial collapse, particularly in its mortgage business. In 2011, HSBC announced major strategic changes, choosing to focus on high-wealth areas.[37] The CRA requires banks to ensure that their lines of business equitably serve people at all ends of the income spectrum and to make credit available to support LMI people and neighborhoods and HSBC has fallen short in some key areas.

Since 2011, the bank sold off major parts of its credit card division and all its upstate New York branches, and reduced the number of branches 11% in NYC, including two in the Bronx. Its multi-family lending remains anemic; and small business loans (to businesses with revenue of $1 million or less) decreased 45% overall and by 53% in lower-income census tracts. Home purchase loans declined by over 50% overall and to LMI borrowers. While we recognize that their CRA-qualified investments have increased greatly in recent years, their grant-making is down 33% since 2011, increasing slightly in 2012 and declining sharply in 2013, well below any of the previous years on record.

ANHD members recognize the excellent quality and dedication of the local staff in NYC who amplify the bank's work with local organizations serving lower-income, immigrant communities, and taking a hands-on approach as they do so. However, they lack the resources needed to have the impact a bank of this size should have.

The very low interest rates in 2012 sparked a wave of refinances across the country, including New York City. In fact, most lenders in our study increased refinance lending in 2012, with a few continuing that trend into 2013. Bank of America's refinance lending dropped considerably in 2012, but increased again in 2013, bringing its closer to its 2011 levels of lending. Interestingly, where Bank of America lagged its peers in home purchase lending to lower-income borrowers, its refinance loans to that same population increased the most in 2013. On the other end of the spectrum, HSBC's refinance loans increased, but decreased by nearly 30% to lower-income borrowers and then made no change in 2013.

M&T Bank is one of the more active SONYMA lenders in the area and has staff situated in low-income communities, particularly in East New York, who are available to help people through the mortgage process from start to finish.

Capital One, too, works closely with neighborhood-based organizations to reach LMI borrowers. They also have a well-respected product targeted to low-income borrowers with low down payments and financial assistance. This is a portfolio product, which enables them to waive mortgage insurance and lower monthly costs by hundreds of

[37] HSBC 2011 Investor Day. North America Presentation by Niall Booker, Chief Executive North America, May 11, 2011

dollars. The percentage of Citibank's lending to lower-income borrowers is among the lower percentages, but it makes the third highest volume of loans to that population. It has a portfolio mortgage product that includes down payment assistance and waives mortgage insurance.

TABLE 52

HIGHEST PERCENTAGES OF HOME PURCHASE LOANS TO LMI BORROWERS*

2012				2013			
	All (#)	LMI (#)	% LMI		All (#)	LMI (#)	% LMI
Largest Banks							
M&T Bank	321	100	31.2%	M&T Bank	345	135	39.1%
Capital One	144	31	21.5%	Capital One	113	27	23.9%
Chase	2739	355	13%	Santander	462	60	13%
Smaller banks							
Valley Nat'l.	12	2	16.7%	Emigrant	53	7	13.2%
Emigrant	63	8	12.7%	NY Comm.	82	8	9.8%
NY Comm.	69	4	5.8%	Apple	17	1	5.9%
Astoria	175	7	4%	Astoria	158	8	5.1%

* Loans for 1-4 family, owner-occupied homes among banks that made over 10 loans

Nonprofit housing counselors are committed to helping people achieve homeownership and have a good understanding of what makes for quality homeownership programs that responsibly give lower-income people a chance at homeownership. The New York Mortgage Coalition, a HUD intermediary, and Neighborhood Housing Services, a HUD certified direct provider of counseling services, both connect prospective borrowers to homeownership counseling through their networks citywide. Staff at these agencies know first-hand the challenges lower-income home buyers face, especially in recent years as underwriting criteria has stiffened and down payment assistance has declined. Quality home purchase programs for lower-income borrowers should have the following characteristics:

- **Dedicated staff of loan officers, underwriters, and loan processors** who are fully knowledgeable about their products and able to make an approval decision in a timely manner. These staff should be responsive and available to housing counselors. Loan officers should be visible in the community so that potential home buyers can speak to them directly.
- **Reasonable down payment requirements with financial assistance:** In a high-cost city like New York City, 20% down payment can be impossible for many borrowers, and is not as good a predictor of successful mortgage payment as pre-purchase counseling and income. Financial assistance can come in the form of savings incentives and grants. Offering a portfolio product enables a bank to waive mortgage insurance for down payments below 20%.
- **Reasonable credit scores and income requirements** that are achievable and related to the ability to repay the loan. Banks should also consider alternative forms of credit, particularly for immigrants who may not have previous loans or credit cards, but have other ways of demonstrating credit-worthiness, such as ontime payment of bills and rent over many years.
- **Homebuyer counseling:** Any first-time homebuyer assistance should require pre-purchase counseling and connect potential homebuyers to a qualified provider. In one of the largest studies to date that evaluated 75,000 mortgages originated from 2007 to 2009, NeighborWorks found that borrowers who received pre-purchase counseling were one-third less likely to become 90+ days delinquent over the two years after receiving their loan.[39]

[39] Mayer, N. & Temkin, K. (Mar. 2013), "Pre-Purchase Counseling Impacts on Mortgage Performance: Empirical Analysis of NeigborWorks America's Experience".

While banks can reach lower-income borrowers in many ways, as evidenced by the programs developed by Citibank and Capital One, there are existing programs for banks to participate in. For example, banks can register to offer loans financed by the State of New York Mortgage Agency (SONYMA). These first-time home-buyer loans are well-defined with low down payments, pre-purchase counseling, and financial assistance for closing and down payment costs. Most lenders in this study are SONYMA-approved lenders, but not all are active. In the 2nd half of 2013, only Astoria, Citibank, M&T, HSBC, and Wells Fargo made any SONYMA loans, with M&T making the most by far (50 loans). Bank of America and JPMorgan Chase no longer participate in the program. Another valuable program is the First Home Club, run by the Federal Home Loan Bank of NY, which offers matching grants for qualified first-time homebuyers who successfully complete a homebuyer class and save with a participating bank. Among the banks in this study, Astoria, HSBC, and M&T Bank are currently listed and known to be active participants.

Above all, lenders need to be in tune with the incredible diversity of NYC and provide products and staff that can speak to these needs, which can change from block to block, borough to borough. We believe that joining and actively participating in organizations like the New York Mortgage Coalition and Neighborhood Housing Services of New York City is a good way to do this. These organizations train HUD-certified home counselors and work closely with the banks and clients to help home buyers through the process. They are also a way for lenders to learn about new challenges and opportunities to better reach potential low- and moderate-income home buyers.

Homeownership can lead to financial stability for lower-income families if they are able to get into an affordable home. The Dodd Frank legislation implemented an "Ability to Repay" (ATR) standard to require lenders to make sure that consumers could actually afford to repay their mortgage. As part of that rule, the law presumes that a lender has met those requirements and issued a safe home loan by giving a consumer a "Qualified Mortgage" (QM). QM loans require a maximum 43% debt to income ratio and also limit certain points and fees and predatory product features. This was an important step towards protecting borrowers from potentially predatory products. The new QM rules went into effect January 2014. Federal regulators issued a separate proposal for "Qualified Residential Mortgages" (QRM) that would decide what type of mortgages could be sold on the secondary market without requiring the lender to retain a percentage of the risk liability that a consumer might default. The original QRM proposal would have required much higher down payments and credit scores than the QM, potentially shutting creditworthy low-income and first time homebuyers out of the market. We are pleased that one of the latest proposals seems to define QRM's the same as the QM's. While some down payment is important, indicators such as income levels and a history of ontime bill payment are much better predictors of whether or not a borrower will default on their mortgage. No requirement should be so restrictive as to shut out lower-income borrowers from homeownership.

Racial disparities continue to persist in home lending, with few banks showing leadership in lending to people of color. 32% of New Yorkers are Black and 29% Latino, yet on average the banks in this study made just 6% of their home purchase loans to Black borrowers and 5% to Hispanic borrowers in 2012 and 9% to Black borrowers and 6% to Hispanics in 2013. Even those percentages overstate the situation, however, as M&T's percentages were much higher in 2012 and both M&T and Capital One exceeded the industry in 2013, although as M&T's lending to Blacks increased in 2013, their lending to Hispanics declined by 20%. We note an increase in Ridgewood's lending to Black and Latino borrowers. They hired new lending staff in the Bronx and Brooklyn that seems to be having an impact.

TABLE 53

2013 HMDA RACE ANALYSIS: HOME PURCHASE LOANS FOR OWNER-OCCUPIED 1-4 FAMILY HOMES

	All	White non-Hispanic		Black non-Hispanic		Asian non-Hispanic		Hispanic		Other, non-Hispanic		Ethnicity not known	
Largest Banks													
M&T	345	71	20.6%	194	56.2%	20	5.8%	40	11.6%	20	5.8%	18	5.2%
Capital One	113	29	25.7%	28	24.8%	17	15%	15	13.3%	24	21.2%	21	18.6%
Chase	4,130	1,890	45.8%	260	6.3%	1,081	26.2%	362	8.8%	537	13.0%	386	9.4%
Citibank	2,936	1,065	36.3%	156	5.3%	451	15.4%	152	5.2%	1,112	37.9%	1,039	35.4%
HSBC	561	152	27.1%	25	4.5%	153	27.3%	24	4.3%	207	36.9%	188	33.5%
Wells Fargo	5,778	3,400	58.8%	254	4.4%	1,094	18.9%	349	6%	681	11.8%	510	8.8%
Bank of Amer.	668	374	56%	26	3.9%	98	14.7%	26	3.9%	144	21.6%	130	19.5%
Santander	462	303	65.6%	17	3.7%	54	11.7%	31	6.7%	57	12.3%	38	8.2%
TD Bank	527	260	49.3%	16	3%	142	26.9%	37	7%	72	13.7%	55	10.4%
Total (%Avg)	**15,520**	**7,544**	**42.8%**	**976**	**12.5%**	**3110**	**18.0%**	**1036**	**7.4%**	**2854**	**19.4%**	**2385**	**16.6%**
Smaller Banks													
Apple	17	6	35.3%	3	17.6%	3	17.6%	2	11.8%	3	17.6%	2	11.8%
Ridgewood	115	72	62.6%	4	3.5%	14	12.2%	7	6.1%	18	15.7%	12	10.4%
Emigrant	53	36	67.9%	1	1.9%	9	17%	3	5.7%	4	7.6%	4	7.6%
Astoria	158	102	64.6%	4	2.5%	21	13.3%	7	4.4%	24	15.2%	23	14.6%
NY Comm.	82	57	69.5%	2	2.4%	16	19.5%	0	0%	0	0%	7	8.5%
Flushing	12	3	25%	0	0%	7	58.3%	1	8.3%	1	8.3%	1	8.3%
Total (%Avg)	**437**	**276**	**54.2%**	**14**	**4.65%**	**70**	**23%**	**20**	**6.05%**	**50**	**10.7%**	**49**	**10.2%**
Total (%Avg)	**15,957**	**7,820**	**47.3%**	**990**	**9.33%**	**3,180**	**20%**	**1056**	**6.87%**	**2,904**	**15.9%**	**2434**	**14%**
(For Banks making 10 or more loans)													

TABLE 54

2012 HMDA RACE ANALYSIS:HOME PURCHASE LOANS, OWNER-OCCUPIED 1-4 FAMILY HOMES

	All	White non-Hispanic		Black non-Hispanic		Asian non-Hispanic		Hispanic		Other, non-Hispanic		Ethnicity not known	
Largest Banks													
M&T	321	98	30.5%	122	38%	20	6.2%	60	18.7%	21	6.5%	22	6.9%
Capital One	144	58	40.3%	11	7.6%	37	25.7%	11	7.6%	27	18.8%	21	14.6%
Chase	2,739	1,284	46.9%	200	7.3%	642	23.4%	279	10.2%	334	12.2%	254	9.3%
Citibank	2,272	861	37.9%	136	6%	278	12.2%	129	5.7%	868	38.2%	808	35.6%
Bank of Amer.	600	248	41.3%	32	5.3%	99	16.5%	42	7%	179	29.8%	152	25.3%
HSBC	890	236	26.5%	44	4.9%	320	36%	35	3.9%	255	28.7%	237	26.6%
Wells Fargo	6,430	3,833	59.6%	306	4.8%	1103	17.2%	439	6.8%	749	11.7%	574	8.9%
Sovereign	378	248	65.6%	14	3.7%	44	11.6%	35	9.3%	37	9.8%	14	3.7%
TD Bank	396	197	49.7%	14	3.5%	90	22.7%	34	8.6%	61	15.4%	47	11.9%
Total (% avg)	**14170**	**7,063**	**44.3%**	**879**	**9.0%**	**2,633**	**19.1%**	**1064**	**8.6%**	**2,531**	**19.0%**	**2129**	**15.9%**
Smaller Banks													
Emigrant	63	36	57.1%	5	7.9%	8	12.7%	4	6.4%	10	15.9%	7	11.1%
Astoria	175	115	65.7%	7	4.0%	23	13.1%	6	3.4%	24	13.7%	24	13.7%
NY Comm.	69	55	79.7%	2	2.9%	6	8.7%	1	1.5%	5	7.3%	4	5.8%
Ridgewood	75	57	76%	0	0%	5	6.7%	2	2.7%	11	14.7%	9	12%
Valley National	12	7	58.3%	0	0%	3	25.0%	0	0%	2	16.7%	2	16.7%
Total (% avg)	**394**	**270**	**67.4%**	**14**	**2.8%**	**45**	**13.2%**	**13**	**2.8%**	**52**	**13.6%**	**46**	**11.9%**
Total Banks	**14,564**	**7,333**	**52.5%**	**893**	**6.9%**	**2678**	**17%**	**1,077**	**6.5%**	**2,583**	**17.1%**	**2175**	**14.4%**
(For banks making 10 or more loans)													

FORECLOSURES

The foreclosure crisis is far from over. According to the Federal Reserve Bank of NY, as of December 2013 over 11% of homes in some neighborhoods in Queens, the Bronx, and Brooklyn are in foreclosure. In these neighborhoods, the percentage of homes in or at risk of foreclosure remains stubbornly high. Those same neighborhoods also have high percentages of borrowers at risk of foreclosure, being delinquent by 90 days or more. When a foreclosure is officially initiated, lenders file a notice called a "lis pendens." Lis pendens have been fluctuating over the years, but remain high, especially in communities of color in Brooklyn, Queens and the Bronx. According to the Furman Center, lis pendens reached a peak in 2009 at nearly 18,000 filings. They decreased to about 12,000 in 2010 and started increasing again, reaching over 16,500 in 2013. However, they also discovered that the percentage of repeat filings has also been increasing, such that there were really 8,795 new foreclosure filings, which is well below the peak in 2009 when they were just starting. While repeat filings could be a sign of renewed distress, it is more likely that they are lenders who have filed again because the three year time limit expired since the initial filing. New York is a "judicial foreclosure state" with some of the strongest foreclosure laws in the nation, requiring advanced notice to homeowners and settlement conferences with lenders that have markedly increased settlement rates and reduced foreclosures. While foreclosures take longer than in other states, the worst delays are more often due to servicers dragging their feet or not complying with the law and not a problem with the law itself.

The impact of foreclosures reaches into the billions: the New Bottom Line campaign estimates $196.2 billion in lost wealth in 2012 due to foreclosures, or an average of $1,700 per household.[40] And communities of color have been hit the hardest, with much higher rates of foreclosure than predominantly White communities. Underwater homes at risk of foreclosure are also affecting the City and its residents. New York Communities for Change estimates that the city has lost over $1.8 billion in property taxes and expenses due to lost taxes on vacant properties coupled with the decrease in home values for properties in the neighborhood.[41] They also found that as of October 2012 82,175 (or one in 5) mortgages in New York City were underwater, meaning that the owner owed more than the home was worth by a total of $15.4 billion. These homes are the most likely to go into foreclosure – many may already have foreclosed since the report was published.

Foreclosure assistance and loan modifications are an important part of any bank's responsible lending products. According to the US Treasury HAMP report, as of December 2013, 68,100 loans were in active trial or permanent HAMP modifications in the greater New York area (up from 54,366 in 2011 and 62,246 in 2012) with a median payment reduction of $889.20. Unfortunately, servicer data is only available at the national level, making it difficult to assess how New York City residents benefit. Of the lenders that dominate the NYC market (Chase, Bank of America, Wells Fargo, Citibank, and HSBC), only Bank of America provided data specifically for New York City. Chase has in the past provided some data at the state and MSA level, but did not do so for 2013.

Borrowers typically must successfully participate in a trial modification before their loan is converted to a permanent modification. Due to a change in how income was being documented by servicers, the average time from trial to permanent modification varies for modifications started before and after June 2010. Chase reported completing 11,718 permanent modifications in 2012 in the NY area. Bank of America reported that it averaged 4.2 months for a HAMP modification to go from trial to permanent in 2013 (up from 3.8 months in 2012), and 5.1 months for non-HAMP modifications (down from 5.6 months in 2012). It granted 46 principal reductions (HAMP and non-HAMP) in 2012 and 24 in 2013.

[40] Henry, B.; Reese, J.; Torres, A. (May 2013), "Wasted Wealth: How the Wall Street Crash Continues to Stall Economic Recovery and deepen Racial Inequality in America", authored by the Alliance for A Just Society, retrieved from: http://www.newbottomline.com/wasted_wealth
[41] "Thousands of Homeowners Still Drowning in Underwater Mortgages" (June 2014) by New York Communities for Change, MHANY, et alia. Retrieved from: http://www.nycommunities.org/node/1673

TABLE 55

HAMP MODIFICATION ACTIVITY [42]

December 2012								Outreach to HAMP-eligible delinquent borrowers	
	Trial Plan Offers Extended	Trials Started	Active Trial Mods	Active trial mod lasting > 60 days	Perm. Mods Started	Active Perm. Mods	% eligible trials converted to perm. (post-6/10)	% HAMP evaluations completed	% achieving "Right Party Contact"**
Bank of America*	561,775	342,841	13,844	5,600	163,205	118,446	85%	74%	92%
Citibank	212,935	141,865	2,913	743	67,605	52,741	87%	85%	91%
Chase*	417,053	330,545	10,507	664	186,600	141,928	89%	73%	83%
Wells Fargo	249,582	284,594	12,790	1,761	155,065	121,259	89%	67%	88%
Total U.S.	2,197,839	1,975,649	66,317	11,949	1,136,482	851,135	87%	N/A	N/A

* Bank of America reported to ANHD that the average length of time for a HAMP modification to go from trial to permanent was 3.8 months in New York City, and 5.6 months for non-HAMP modifications; They granted 46 principal reductions (HAMP and non-HAMP)

* Chase reported completing 11,718 permanent modifications in 2012 in the greater NY area.

Right Party Contact (RPC) is achieved when a servicer has successfully communicated directly with a HAMP-eligible homeowner obligated under the mortgage about resolution of their delinquency in accordance with program guidelines.

Dec. 2013: HAMP Modification Activity

December 2013								Outreach to HAMP-eligible delinquent borrowers	
	Trial Plan Offers Extended	Trials Started	Active Trial Mods	Active trial mod lasting > 60 days	Perm. Mods Started	Active Perm. Mods	% eligible trials converted to perm. (post-6/10)	% HAMP evaluations completed	% achieving "Right Party Contact"
Bank of America*	585,708	245,197	5,343	1,174	111,837	75,546	90%	81%	91%
Citibank	224,082	138,686	2,739	801	68,009	49,378	89%	85%	93%
Chase	437,892	322,946	4,167	804	193,501	145,702	91%	78%	87%
Wells Fargo	282,729	310,867	8,281	809	186,418	138,681	92%	65%	90%
Total U.S.	2,382,824	2,151,713	57,996	10,960	1,311,558	926,792	88%	N/A	N/A

* Bank of America reported to ANHD that the average length of time for a HAMP modification to go from trial to permanent was 4.2 months in New York City, and 5.1 months for non-HAMP modifications. They granted 24 principal reductions (HAMP and non-HAMP)

Our best data thus comes from our members and we are hearing mixed results. In general, our members say that while they are seeing some principal reduction, in general mortgage servicers are still very unlikely to do so. A few housing counselors noted that it has become slightly easier to win affordable loan modifications in the past two to three years, attributing it to the constant hard work of advocates, as well as pressure put on the large servicers (Citibank, Chase, Bank of America, Wells Fargo, and Ally) by the National Mortgage Settlement and subsequent lawsuits, and building relationships with bank staff who can guide homeowners through the process. However, many servicers continue to give homeowners and their advocates a great deal of runaround – lost paperwork, have to resubmit, and in some cases, even after getting a loan mod (trial or permanent), the loan gets sold or assigned elsewhere to different servicer managing the account and have to start again. While a few groups noted some progress from Wells Fargo, others find

[42] December 2012 and 2013 MHA final reports.

they continue to be one of the most difficult servicers. One example highlights the challenges too many homeowners face. Ms. Joyce J. recently met with a foreclosure counselor at Neighbors helping Neighbors (affiliate of the Fifth Avenue Committee). She was forced to leave her job with the City of New York when she became ill and permanently disabled in 2006. Relying on tenant income, contributions from her elderly father who also lives in the house, and her savings, she kept up with her mortgage payments for several years. Eventually, though, she fell behind. The mortgage servicer, America's Servicing Company (an affiliate of Wells Fargo) stopped accepting payments while also stubbornly refusing to modify her loan to make it more affordable. After paying for utilities and basic necessities, Joyce put the remaining rental income into a bank account and managed to save up $25,000, thinking that this would show good faith. Unfortunately, though, the accrued assets prevented her from qualifying for Social Security Disability benefits and food stamps. Joyce is caught in a terrible catch-22. Due to the stubbornness of her mortgage company, over $263,000 in mortgage arrears have accrued, making it impossible to modify her loan. Yet Joyce currently does not have any source of income (aside from the tenants) and is unable to move; relocating will also mean trying to find affordable housing for her father, who only receives $700 per month through his own benefits.

Given the number of people still in or at risk of foreclosure, we find it disturbing that housing counselors are still facing this many barriers to finding relief for these homeowners.

PHILANTHROPY

Trends:

- The amount given in CRA-eligible grants decreased slightly by less than 2% in 2012, while the number of grants increased by 9%. In 2013, grant-making was fairly flat, with the amount given down 3%, and the number of grants up 2%.
- The amount of grant dollars going directly to neighborhood-based organizations decreased considerably – down 35% in 2012 and another 8% in 2013.

Recommendations:

- Nonprofits rely upon grants in good times and bad, and thus banks should make an effort to sustain or increase grant-making each year, regardless of deposits or profits. This is the one area of the CRA where they do not get a return on investment.
- Implement high-performing, strategic philanthropic programs that work closely with the nonprofit sector, are accessible through an RFP, and have intentional goals. Grants to neighborhood based organizations that provide general operating support, affordable housing, and equitable economic development are particularly impactful.

CRA-eligible grant dollars decreased by nearly $3 million from 2011 to 2013, from $74 million to $71 million, but the number of grants increased. Among the 18 banks that report grants to neighborhood based organizations, collectively 30% of their grant dollars went to neighborhood based organizations. Percentages vary by bank.

Deutsche Bank continues to embody these principles through grantmaking to local neighborhood based organizations through citywide initiatives and organizations like the Neighborhood Opportunity Fund, Enterprise Community Partners, and the Local Initiatives Support Corporation. Deutsche Bank also continues to lead with its SHARE and Working Capital programs that provide critical seed grant money and soft loans in the

ANHD principles for effective community development grant-making:

- Work closely with the nonprofit sector
- Accessible through an RFP
- Highly intentional, with a specific theory and goal underlying the grantmaking

These principles give philanthropy an impact on community development beyond just the dollar amount.

early development phases of affordable and supportive housing projects. In 2012, the RFP was specifically expanded to also include economic development projects. Deutsche Bank also understands that CDFIs and credit unions that focus on small business lending often provide very high-touch, labor intensive services that banks do not provide. As such, they give grants to complement their loans to, and investments in, such organizations. Finally, the bank launched an innovative new program in 2012 to fund research and neighborhood based strategies to increase the educational attainment and economic prospects for Mexican Immigrants.

TABLE 56

HIGHEST PERCENTAGES OF GRANTS TO DEPOSITS ($ IN MILLIONS)

2012				2013			
	Grants (#)	Grants ($)	% to Deposits		Grants (#)	Grants ($)	% to Deposits
Largest Banks							
Capital One	285	$7.12	0.032%	Capital One	267	$7.27	0.032%
M&T Bank	124	$.77	0.031%	M&T Bank	125	$.72	0.027%
Citibank	154	$9.97	0.019%	Citibank	137	$9.69	0.017%
Smaller Banks							
NY Community	168	$1.07	0.020%	Carver	15	$0.38	0.076%
Ridgewood	115	$0.17	0.007%	NY Community	221	$1.40	0.024%
Popular Comm.	36	$0.17	0.006%	Popular Comm.	40	$0.34	0.014%
Wholesale							
Morgan Stanley		$7.83	0.074%	Morgan Stanley		$7.54	0.055%
Goldman Sachs	73	$22.74	0.042%	Goldman Sachs	108	$20.62	0.032%
Deutsche Bank	125	$5.10	0.022%	Deutsche Bank	150	$5.26	0.017%

In 2012, Goldman Sachs gave the most money in grants, followed by Citibank and Chase. For years, we have been calling on Goldman Sachs to have a more open, transparent grantmaking process. We are pleased that, starting in 2013, Goldman Sachs implemented an RFP process, demonstrating a stronger commitment to giving more organizations in NYC the opportunity to apply for funding. In 2012, Capital One increased its grant dollars in NYC by 75%, whereas Wells Fargo and Chase decreased their giving considerably from 2011 to 2012 Wells Fargo decreased 72%. Chase decreased 30% because a large anti-poverty initiative ended. Bank of America and NY Community Bank also decreased their giving in 2012; NY Community Bank increased once again in 2013. Banks in NYC continue to dedicate a very small percentage of their deposits to CRA-eligible grants, all giving less than one-tenth of one percent.

Neighborhood based organizations (NBO's) are locally based, many of which work on-the-ground to empower their communities and improve their neighborhoods. Giving directly to NBO's demonstrates an intentional commitment to New York City neighborhoods. General operating funds in particular are considered very valuable as they give

organizations the flexibility they need to carry out their missions day-to-day and respond to new and emerging needs. One challenge nonprofits like ANHD members often face is the changing nature of grant priorities. The work our members do – from specific projects such as building and managing affordable housing to longer-term organizing for social change – takes time and requires funding that will support staff and resources over the long-term, with funding that is flexible enough to understand the ebbs and flows of the nonprofit work. This may not be flashy, but it is proven to be effective. Multiyear funding and general operating support are two ways that foundations can demonstrate their commitment to the grassroots community development and organizing work CDCs [do so effectively.

That being said, we are concerned that the amount of grant dollars going directly to neighborhood-based organizations decreased considerably in 2012 – down 35% among the 15 banks that provided this breakdown. Chase, one of the largest funders by dollar amount, doesn't keep track of these grants. Collectively, the 18 banks that track this data made 30% of their grant dollars to neighborhood based organizations. Percentages vary by bank; on average, in 2012 and 2013, the percentage of dollars overall remained close to 50%.

In 2012, M&T, Bank of America, and Santander ranked highest among the larger banks, and NY Community Bank outranked the smaller banks, making 94% of its grants to neighborhood based organizations up from 84% in 2011, where they had also ranked first. Their percentage dropped to 78% in 2013, but that still compares favorably. Capital One and M&T Bank are also long recognized for giving general operating funds and for supporting grassroots community organizing. The fact that they do it year after year shows an understanding of local needs and a commitment to justice, including community organizing for policy change that will have an impact citywide and beyond.

TABLE 57
HIGHEST PERCENTAGES OF GRANT DOLLARS TO NEIGHBORHOOD-BASED ORGANIZATIONS (NBO'S)

	2012			2013			
	NBO (#)	NBO ($)	% to NBO's		NBO (#)	NBO ($)	% to NBO's
Largest Banks							
M&T	87	$0.57	73.9%	Santander	6	$0.04	87.8%
Bank of America	50	$2.00	57.1%	M&T	91	$0.56	77.3%
Santander	8	$0.06	48.2%	TD Bank	62	$0.79	44.8%
Smaller Banks							
NY Community	154	$1.01	94.2%	Carver	11	$0.34	91.6%
Apple	16	$0.14	93.4%	Apple	11	$.06	90.2%
Carver	2	$0.01	65.7%	NY Community	172	$1.09	78.1%
Wholesale							
Deutsche Bank	37	$2.00	39.2%	Goldman Sachs	10	$7.47	36.2%
Goldman Sachs	19	$8.02	35.3%	Deutsche Bank	39	$1.65	31.4%

As mentioned above, many banks contributed grant dollars to facilitate the recovery following Hurricane Sandy, individually, through a collaborative, or both. The NYC Housing & Neighborhood Recovery Donors Collaborative was a large collaboration of government, foundations and financial institutions, including Deutsche Bank, Citibank, Capital One, Goldman, HSBC, Chase, and Bank of America. The collaborative raised over $3 million that was granted to nonprofits throughout the City – citywide and neighborhood-based organizations – for outreach and recovery; improving climate resiliency; and building social capital. Citibank also gave $100,000 immediately after the storm in 2012 to three neighborhood based organizations and another $2 million in 2013 to nearly 50 community partners, including $650,000 specifically to assist small businesses affected by the storm. Capital One donated nearly $2 million

as well to the relief effort; Chase donated $5 million to organizations throughout the affected region. And, many banks – from the large commercial banks to the smaller savings banks –contributed time, space, and volunteers to help in the immediate aftermath, including making banking available in whatever form they could as soon as possible.

Another way to increase the impact of giving in all areas of community development is through strategic collaboratives that work directly with local organizations, such as the Neighborhood Opportunities Fund (NOF) which funded the high-impact Initiative for Neighborhood and Citywide Organizing (INCO) and Strategic Neighborhoods Initiative. Since its inception, The Neighborhood Opportunities Fund granted over $5.2 million to 23 INCO groups. By the most conservative of estimates, this investment translated into $1.3 billion in affordable and low-income housing dividends and has kept countless numbers of New Yorkers in their homes. While NOF and INCO have since wound down, a number of the same banks continue to collaborate in the new Change Capital initiative that has a mission to alleviate poverty in New York City and will be selecting 6 CDC's to receive funding and technical assistance over four years.

Citibank has also demonstrated a unique approach to philanthropy. In addition to supporting collaboratives like the Neighborhood Opportunities Fund, they have been partnering with New York City to test new programs that the City might later fund itself at a larger scale. For example, piloting financial empowerment centers helped demonstrate their effectiveness and secure public funding as part of the core services offered by the City. They have also placed considerable emphasis on approaches to financial empowerment in low-income, immigrant communities. (See below). On the other hand, Citibank still does not have an open RFP process and we encourage them to consider that as part of their philanthropic program.

CITIBANK: DEMONSTRATING LEADERSHIP IN IMMIGRANT COMMUNITIES

NYC is one of the most diverse places in the world with a large and growing immigrant population. Well over a third of NYC residents are foreign-born and that jumps to 49% in Queens. Over the past few years, ANHD has noted Citibank's intentional commitment to low-income immigrant communities throughout their grantmaking activities. A few examples include:

- The Citizenship in Schools initiative to provide financial aid to and incentives for lower-income immigrants to move from residency to citizenship.
- Lending Circles: Citibank was one of the early supporters of peer lending circles that provide an alternative, culturally sensitive, way for immigrant communities to build credit and savings. These lending circles mirror a community model of lending common in many other countries, while providing the formal structure necessary so these loans can provide participants access to more traditional credit such as home and small business loans in the future.
- NYC Small Business Technology Coalition: A partnership with five nonprofit partners and the NYC Dept. of Small Business Services to launch or expand technology-related assistance to help LMI entrepreneurs lower operating costs, reach new customers, and be more competitive.

Citibank has also been recognized as readily accepting multiple forms of identification in their branches to enable immigrants to open accounts. We look forward to seeing the impact of their new Access account in lowering the cost of banking for low-income New Yorkers. Their staff take a very intentional approach to CRA that enables them to respond to real community needs such as these. This approach of providing seed funding for pilot programs allows localities to test out approaches that can later be scaled up and adopted at a larger scale by municipalities.

PART II
RECOMMENDATIONS

#1

COMMIT TO A HIGH QUANTITY AND HIGH QUALITY OF REINVESTMENT.

- **All banks should commit to reinvesting 5% or more of local deposits committed to the full range of targeted, strategic reinvestment lending and investments that specifically benefit low- and moderate-income communities, especially if their locally held deposits increase.**
  - — Banks that already invest close to or over 5% of their deposits should strive to reach or exceed that goal in a responsible manner. Banks well below the 5% mark should take incremental steps and build up the infrastructure (staff and resources) to support deals, large and small, that target the unique community development needs of New York City communities.
- **Banks should strive for a quality score above 3, indicating they beat their peers in more areas than they lagged with regards to the percentage of activities that have the biggest impact.** This would represent a commitment to fair lending and to factors that have an impact beyond simply the dollar amount.

#2

THE CITY AND BANKS SHOULD FULLY IMPLEMENT AND ENGAGE IN ALL ASPECTS OF THE NEW YORK CITY RESPONSIBLE BANKING ACT.

- The City should swiftly implement the Responsible Banking Act, so that the Community Investment Advisory Board (CIAB) can gather data, hold the required hearings, and issue recommendations prior to the banking commission's next decision on banks eligible to hold city deposits.
- The City should embrace the principles of the RBA in all banking decisions and channel its business to banks and financial institutions that have clear plans and track records of meeting the service, credit, and reinvestment needs in communities across the City.
- Banks should fully participate in the process through their banking industry representative on the Board and by responding in a complete and timely manner to data requests. We also encourage all banks to continue engaging with ANHD and member institutions to foster a collaborative environment in which we can work together to increase levels of reinvestment in our city and give all New Yorkers the opportunity to thrive in this vibrant, diverse city.

ANHD believes this law puts in place an open, transparent system of data sharing and communication that better equips banks to understand and meet the credit needs of the New York City communities, and provides new tools for communities and governments to evaluate how well banks are doing so.

#3

COMMIT TO RESPONSIBLE MULTIFAMILY LENDING AND HOLD BANKS ACCOUNTABLE FOR IRRESPONSIBLE LENDING.

- Regulators must look at the **quantity and quality of all multifamily lending,** and especially loans on private rent-regulated housing for which banks seek CRA credit. They should regularly consult with organized tenants and community organizations as a key source of information to ensure that these loans are in fact providing affordable housing and stabilizing neighborhoods, and not causing harm.
- ANHD has long emphasized that banks must **engage in responsible multifamily lending** by making loans to responsible landlords and underwriting these loans based on realistic income and expense projections.
- However, there will always be bad landlords and, despite the improvement, banks are lending to them. And even with the best of intentions, some loans will go bad, especially for banks that do high volumes of lending. All banks with a multifamily portfolio should participate in the **First Look program developed by ANHD, HPD and the New York City Council** to responsibly transfer distressed properties to responsible preservation-minded developers

Under the **First Look program,** participating banks routinely review their portfolios to identify buildings that might be good candidates for preservation because they are in significant physical and financial distress and the bank is foreclosing or considering selling the note. ANHD may also learn of problem buildings from tenants and tenant organizers at local community organizations.

Instead of the bank foreclosing and selling the building to a private landlord, or selling the note to another bank or investor, the First Look program seeks to break the cycle of distress in a time-sensitive, market-driven manner. Nonprofit CDCs, mission-driven to preserve affordability, should be considered the first option for preservation deals wherever possible.

#4

BASIC BANKING AND BRANCHES: MAKE BASIC BANKING AVAILABLE TO ALL NEW YORK CITY RESIDENTS.

Using a bank account is associated with, and may help foster, increased financial stability. People with mainstream bank accounts tend to keep more of their earnings, fare better against financial shocks, and save more for the future. Yet, traditional banking accounts remain out of reach for many New Yorkers.

- **Branches** are an important point of entry for low- and moderate-income people, immigrants, and seniors to open and access accounts and other financial services and loans. Banks need to open and operate branches in underserved low- and moderate-income neighborhoods
- **Every bank should offer a Safe, Affordable Bank Account** targeted towards low- and moderate-income people that offer low fees and minimum balance requirements; no overdrafts; accepts alternate forms of ID – **all banks should accept the new NYC Municipal ID**; and is available to people with prior banking issues. The account must be widely advertised, promoted, and actually used by underserved populations.
- **Banks should also be competing to meet the needs of lower-income and immigrant communitie**s through partnerships with nonprofits and the City; language and cultural competency; variable hours; and financial products, such as small dollar loans; credit builder products; remittances, and home and small business loans.

#5

HIRE AND EMPOWER A QUALITY COMMUNITY DEVELOPMENT TEAM FOCUSED ON NYC.

- **The most effective reinvestment programs start with strong leadership**. Banks should have a community development team located in or near New York City and knowledgeable about, engaged in and committed to a bank's CRA programs.
- Banks should empower local staff with resources and authority to fully engage in and support the wide range of community development activities.

#6

INCREASE COMMUNITY DEVELOPMENT LENDING & INVESTMENTS AND DIRECT SUBSTANTIAL AMOUNTS TO LOCALLY BASED CDCS AND COMMUNITY ORGANIZATIONS.

- Banks should continue to **increase community development loans and investments.** They should also **direct resources to nonprofit and community based organizations** that are locally rooted and committed to permanent affordability and long-term improvements in their communities.
- Banks should **support the smaller and most effective, nonprofit developer**s with targeted affordable products to build and preserve affordable housing and create quality jobs. This includes the following
  — **Acquisition and predevelopment costs:** Capital, equity, and low-cost lines of credit; grants,"soft loans,"and low-cost lines of credit to acquire land and cover myriad other predevelopment costs
  — **Smaller loans and smaller deals.** Often smaller properties with fewer than 50 units are what neighborhood-based CDCs have access to, especially when competing with larger for-profit developers. They need affordable capital to take advantage of all opportunities to build and preserve affordable housing.
  — **Appropriate risk assessment.** Nonprofit CDC developers often get charged additional fees and receive less desirable loan terms because they are seen as riskier than more-resourced for-profit developers. Banks should reconsider their assessment in order to give proven high-capacity nonprofits the ability to do what they do best: build and manage affordable housing and provide critical services – direct service, trainings, capacity building – to tenants and local residents.
- **Banks and regulators must look at the overall impact of the loans** with respect to the quality of jobs created, the quality of housing, and the sustainability of the impact over time. They must ensure that the loan meets the needs of local communities and does not cause harm.

#7

INCREASE CRA ACTIVITY TO PROMOTE EQUITABLE ECONOMIC DEVELOPMENT.

Equitable economic development goes beyond expanding the tax base and beyond counting jobs. **Equitable economic development** is about creating the systems and environments to create a stable middle and working-class employment base and workforce that creates a meaningful path to the middle class. It ensures that these

systems and opportunities are intentionally extended to the low- and moderate-income and underserved communities that need them most through targeted strategies for quality job creation, small business development, and workforce development and placement.

- **Banks** should dedicate more money and resources to equitable economic development, including but not limited to: financing space for manufacturing; loans to small businesses in LMI tracts and owned by LMI people, women, and minorities; loans that support projects to create, retain and preserve quality jobs; grants and technical assistance to organizations that support small businesses; targeted workforce development; commercial revitalization
- **Regulators** should elevate the importance of this category through the performance context and provide more clarity and emphasis on outcomes during the exam to ensure more resources are going to the people and businesses that need them most and are creating opportunities for economic mobility.

#8

SUPPORT LOW- AND MODERATE-INCOME HOME BUYERS AND HOME OWNERS THROUGH DIRECT LOANS, QUALITY PRODUCTS, AND RESPONSIBLE FORECLOSURE PREVENTION AND RESPONSE.

- **Create products and dedicate staff specifically for lower-income borrowers** with low down-payment requirements; reasonable credit assessments that allow for alternative forms of credit; down payment assistance; and connection to homebuyer counseling. Affirmatively market these products to targeted communities and organizations serving those communities.

- **Prevent and responsibly deal with foreclosed homes**: Grant more trial and permanent modifications; maintain in good condition homes taken by foreclosure; reduce the delays for homeowners due to lost paperwork, staff changes, timely responses

#9

INCREASE TARGETED CRA-ELIGIBLE GRANT-MAKING AND ENSURE THAT A SIGNIFICANT PORTION GOES TO NEIGHBORHOOD-BASED COMMUNITY ORGANIZATIONS.

- Nonprofits rely upon grants in good times and bad, and thus banks should make an effort to **sustain or increase grant-making each year,** regardless of deposits or profits.
- **Implement high-performing, strategic philanthropic programs** that work closely with the nonprofit sector, are accessible through an RFP, and have intentional goals. Grants to neighborhood based organizations that provide general operating support and support affordable housing and equitable economic development are particularly impactful.

APPENDIX B
FULL METHODOLOGY

Since 2008, ANHD has submitted detailed annual information requests to New York City's largest banks to better understand how well they are serving our communities through lending, investment, and services. These requests are necessary because the majority of information related to a bank's CRA activities is not publicly available. And much of what is publicly available is at a geographic level that is either too broad or too narrow for our purposes of looking at citywide reinvestment patterns. Simply put, the CRA requires banks to act locally, but report regionally, and this disconnect makes accurate analysis difficult. ANHD hopes that our report addresses this disconnect and adds to our collective understanding of how the CRA can be implemented with the greatest impact.

The report includes both year-to-year comparisons and analysis of the current year's data. In order to make fair comparisons, only institutions that provided information in both years (2011-12, 2012-13) were included in trending analysis year to year. For this reason, there is some amount of data that banks provided for 2012 or 2013 that we could not use for year-over-year analysis since the same information was not provided in the previous year. Appendix A details all information that we received from each lender.

ANHD used public data wherever possible, making every attempt to acquire missing information using a variety of sources. In order to match FDIC reporting times, we use deposits and branching as of June 30th of the reporting year.

- CRA Wiz for 1-4 family lending (HMDA data), multifamily lending (HMDA data used when multifamily lending not provided by the bank), small business lending, and NYC deposits.
- FDIC for bank branch information not supplied by the bank, Tier 1 capital, and National deposits
- Bank annual reports and CRA examinations
- Bank websites and printed materials

Some information found through these methods is imprecise for our purposes. For example, not all refinance loans are HMDA reportable, which largely impacts multifamily lending, thus the data retrieved from there may be underrepresented.

Overall, the amount of data we received enabled us to conduct this analysis, but it is admittedly imperfect given the fact that some banks did not report across all data points. One of ANHD's key priorities is to require banks to report this important information on an annual basis, particularly those seeking to do business with New York City. The banks' responses are summarized in Appendix A.

While individual indicators are useful in ascertaining a bank's year-over-year record in a certain area over time, ANHD also compares banks to their peers. In previous years, we separated banks by classif-cation: commercial, savings, and wholesale, which historically operated fairly distinctly. Commercial banks focused more on providing financial services to corporations, while savings banks focused more on residential 1-4 family and multifamily buildings mortgages and savings accounts. Today, the lines between commercial and savings banks have blurred

and operate quite similarly in many areas. This year, we changed categories to classify banks by size:

- **Largest banks**: Retail Commercial and Savings Banks with more than $50 billion in assets.
- **Smaller banks:** Retail Commercial and Savings Banks with fewer than $50 billion in assets.
- **Wholesale banks:** These are commercial banks that are not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect. They provide financial services to other large corporations or governments. For CRA purposes, they are evaluated by more narrowly defined standards.

Overall Reinvestment Volume Index and Quality Score

This year, rather than assigning one ranking to each bank, we are using a more nuanced version of the reinvestment index as a comprehensive tool to measure and compare the quantity and quality of each bank's reinvestment activities. We first calculate the ratio of Community Development and core consumer and commercial lending reinvestment to locally held deposits. We then evaluate the quality of these loans and investments and also a third category related to service and responsiveness.

Community Development Reinvestment includes loans and investments that finance the construction and rehabilitation of affordable housing; community facilities such as healthcare clinics and community centers; job creation, education, healthcare, and other efforts to revitalize neighborhoods; and grants to support nonprofits that engage in all areas of community development, including building affordable housing and community facilities, running community programs, and advocating for policy change, (and community responsiveness for retail banks).

Core Consumer & Commercial Lending Reinvestment includes 1-4 family home purchase and refinance loans to low- and moderate-income (LMI) borrowers, multifamily community development loans, and multifamily and small business loans (small dollar loans to businesses with revenues below $1 million) in low- and moderate-income census tracts.

Service includes branching, banking practices, and staffing in NYC (and community responsiveness for wholesale banks).

Overall Reinvestment Volume Index: When evaluating the volume of a bank's reinvestment activity, we compare the dollars loaned and invested to their locally held deposit base. We created a set of reinvestment indexes: Community Development Reinvestment Index, Core Consumer & Commercial Lending Reinvestment Index, and an Overall Reinvestment volume index. The activities included in these indexes are described above.

Overall Reinvestment Quality Score: To measure quality, we look at factors that are more likely to have a larger impact than simply the dollar amount. This also enables us to compare a bank's service to lower-income communities where there isn't a dollar amount associated with it. For each factor, we assign a score based on the median value of all banks within their respective classification – largest, smaller, and wholesale. Banks with values of the median +/- 20% get a score of 3, banks below that range get a 1 and banks above it get a 5. Banks that do not provide data get a score of 0 in the category. Wholesale banks do not receive scores related to branching or core consumer and commercial lending. The factors used in the calculations are described in detail in the reinvestment volume index and quality score section of the report.

Additional Factors

In addition to the reinvestment index, we dig deeper into certain categories and present data and analysis that were not included in the rankings. We also look at this additional data:

Multifamily housing: physically and financially distressed housing:

The Building Indicator Project (BIP) is a database created by ANHD-member organization University Neighborhood Housing Program. UNHP's BIP database assigns properties to a particular lender based on records pulled from the City's Register (ACRIS) which records mortgage activity in New York City. The most recent Party 2 on a mortgage document (excluding satisfactions) is used, and mortgages recorded in the past 10 years (September 2004 through October 2014) are counted in this analysis.

The BIP database contains information about each building, including violations, liens, and debt and computes a "BIP Score." A BIP score over 800 indicates the building is very likely to be in a state of financial and/or physical distress. Another indicator we analyzed this year is a simpler indicator of physical neglect, based on the number of B & C violations. We believe a building is very likely to be physically distressed if one or both of the following indicators holds true:

- The ratio of recently issued B & C violations to total units is greater than 1.5 (violations issued in the previous year, regardless of resolution)
- The ratio of all open B & C violations to total units is greater than 1.5. We then analyzed the percentage of these physically distressed buildings in a given lender's portfolio.

Racial disparities in home purchase lending

ANHD only asks banks for data on home purchase lending overall and to low- and moderate-income borrowers. We gathered additional data for the calendar years 2012 and 2013 reported in compliance with the Home Mortgage Disclosure Act (HMDA) to examine racial disparities in both home purchase and refinance loans originated for 1-4 family homes.

We look at all types of loans (Conventional, FHA, or VA, including first and second lien) breakdown in the following racial/ethnic categories:

- White: Race is "White" and Ethnicity is "Not Hispanic or Latino, Not Provided or Not Applicable."
- Asian: Race is "Asian" and Ethnicity is "Not Hispanic or Latino, Not Provided or Not Applicable."
- Black: Race is "Black or African American" and Ethnicity is "Not Hispanic or Latino, Not Provided or Not Applicable."
- Latino: Ethnicity is "Hispanic or Latino."

Checking accounts / banking score

- Overdraft policies: The Pew Charitable Trusts studies were used for overdraft polices in 2012 (2013 report) and 2013 (2014 report). For banks not in one or both studies, we used the most recent data available from the 2013 survey, online materials, and in print for both years.

- Checking account fees and requirements were retrieved June 2014 from individual bank websites, supplemented with calls or visits to the bank when the data was unclear.

Business with banks:

The data regarding how the City does business with banks was retrieved from three main sources:

1. Average deposits: FOIA request to the Department of Finance
2. Bond underwriters: http://www.comptroller.nyc.gov/bureaus/pf/nyc-syndicate.shtm
3. Contracts: Checkbook2.0 http://www.checkbooknyc.com/
   a. Active contracts with NYC agencies were retrieved using an advanced search query of "Contracts", Status: Active, Year: FY 2013 and FY 2014, Category: Expense
   b. Active pension funded contracts: Status: Active, Year: FY 2013 and FY 2014, Category: Revenue, Contract Type: Corpus Funded

The data for expense and revenue contracts were exported to excel and analyzed by agency.

Average per year = "Total Amount" divided by "Length of Contract"

a. Total Amount: the larger amount of the contract amount or the amount spent to date.
b. Length of Contract = "1" if "Contract in Years" is less than one or else "Contract in Years"
"Contract in Years" = (End date minus start date) divided by 365.

APPENDIX C

TOTAL STATISTICS FOR ALL 24 BANKS

Year	Total for 2012	# Responses 2012	Total for 2013	# Responses 2013	# Banks for which we have data in both 2011-12	# Banks for which we have data in both 2012-13
Staffing						
Community Development Staff Serving NY	352	21	360	21	20	21
Community Development Staff Located in NYC	235	21	240	21	20	21
Staff supporting CRA Activity	350	17	365	17	17	17
CRA Staff Located in NYC	192	18	200	19	18	18
Average % Community Development Staffing located in NYC	73.81%		73.62%			
Branches & Deposits (billions)						
Tier 1 Capital	$555.37	24	$595.49	24	24	24
Total Deposits (National)	$3830.20	24	$4205.57	24	24	24
Total Deposits in NYC (b)	$805.27	24	$869.70	24	24	24
Total NYC Branches	1416	20	1419	20	20	20
Low-Income (LI) Branches	106	20	107	20	20	20
Mod. Income (MI) Branches	300	20	299	20	20	20
Average % branches in low- and moderate-income neighborhoods	32.4%		30.1%			
Average % branches in LI Census Tracts	8.1%		7.2%			
Multifamily (MF) Lending (m)						
MF Lending (# Loans)	3669	20	4383	20	20	20
MF Lending (in $)	$12947.40	20	$16799.37	20	20	20
MF Lending in LMI tracts (#)	1711	20	2027	20	20	20
MF Lending in LMI tracts ($)	$4856.87	20	$6209.41	20	20	20
Average % of MF lending in LMI neighborhoods (#)	42.7%		43.0%			
Average % of MF lending in LMI neighborhoods ($)	44.1%		36.2%			
MF CD Lending (#)	1056	19	1198	19	18	19
MF CD Lending ($)	$3956.22	19	$4324.68	19	18	19
Average % of MF Community Development Lending (#)	27.2%		20.6%			
Average % of MF Community Development Lending ($)	34.0%		21.0%			
Community Development Lending (millions)						
Community Development Lending (# Loans)	490	21	525	21	21	21
Community Development Lending (in $)	$3141.84	22	$3665.48	22	22	22
Average Community Development Lending as % of Deposits	1.27%		1.6%			
CD Loans to Nonprofits (#)	222	20	169	20	19	20
CD Loans to Nonprofits ($)	$720.09	21	$861.32	21	19	21
Average % Community Development Loans to NFPs (#)	43.05%		35.1%			
Average % Community Development Loans to NFPs ($)	50.59%		46.6%			
CD Loans to CDC's (#)	67	16	23	16	16	16
CD Loans to CDC's ($)	$121.42	17	$70.27	17	16	17
Average % Community Development Loans to CDCs (#)	14.52%		9.2%			
Average % Community Development Loans to CDCs ($)	11.77%		4.6%			
Affordable Housing Loans (#)	194		145			
Affordable Housing Loans ($)	$1805.36		$1604.88			
Average % Community Development Loans for Affordable Housing (#)	12.96%	18	14.3%	18		
Average % Community Development Loans for Affordable Housing ($)	39.16%	22	45.9%	22	19	23
Affordable Housing to NFPs (#)	85		55			
Affordable Housing to NFPs ($)	$393.52		$436.44			
Economic Development Loans (#)			151			
Economic Development Loans ($)			$683.27			
Small Business Lending (m)						
Small Loans to Businesses (#)	86419	20	82474	20	20	20
Small Loans to Businesses ($)	$3407.80	20	$3642.74	20	20	20

... in LMI tracts (#)	23858	20	23669	20	20	20
... in LMI tracts ($)	$779.98	20	$889.66	20	20	20
Average % Small Loans to Businesses LMI neighborhoods (#)	28.75%		29.0%			
Average % Small Loans to Businesses LMI neighborhoods ($)	27.17%		28.9%			
Small Loans to Small Businesses (Revenue <$1M) (#)	27079	20	26880	20	20	20
Small Loans to Small Businesses Revenue <$1M) ($)	$973.92	20	$1140.38	20	20	20
... in LMI tracts (#)	7354	20	7617	20	20	20
... in LMI tracts ($)	$248.61	20	$331.00	20	20	20
Average % Small Loans to Small Businesses LMI neighborhoods (#)	31.62%		27.2%			
Average % Small Loans to Small Businesses LMI neighborhoods ($)	30.89%		28.8%			
CRA-Eligible Investments						
CRA Qualified Investments (#)	161	21	221	21	20	21
CRA Qualified Investments ($)	$2045.09	22	$2393.15	22	22	22
Average CRA-qualified investments as % of Deposits	0.41%	22	0.5%	22	22	23
CRA Qualified Investments to NFPs (#)	29	19	23	20	17	19
CRA Qualified Investments to NFPs ($)	$263.07	20	$74.77	20	17	20
Average % CRA-qualified investments with nonprofit sponsors (#)	19.57%		18.4%			
Average % CRA-qualified investments with nonprofit sponsors ($)	14.42%		16.3%			
LIHTC (#)	62	20	97	20	18	20
LIHTC ($)	$900.12	21	$1263.90	20	19	20
NMTC (#)	11	17	13	17	16	17
NMTC ($)	$108.32	17	$80.43	17	16	17
CRA Qualified Investments for Economic Development (#)			18			
CRA Qualified Investments for Economic Development ($)			$50.70			
1-4 Family Home Mortgage Lending (m)						
Home Purchase Loans (#)	14590	20	15983	20	20	20
Home Purchase Loans ($)	$6996.06	20	$8044.49	20	20	20
Home Purchase Loans to LMI borrowers (#)	1375	20	1423	20	20	20
Home Purchase Loans to LMI borrowers ($)	$215.32	20	$207.47	20	20	20
Average % of Lending to low- and moderate-income Borrowers (#)	11.03%		13.7%			
Average % of Lending to low- and moderate-income Borrowers ($)	3.61%		7.7%			
Refinance Loans (#)	20043	20	14758	20	20	20
Refinance Loans ($)	$7780.35	20	$5596.75	20	20	20
Refinance to LMI borrowers (#)	1616	20	1218	20	20	20
Refinance to LMI borrowers ($)	$234.01	20	$175.92	20	20	20
Average % of Lending to low- and moderate-income Borrowers (#)	10.00%		9.4%			
Average % of Lending to low- and moderate-income Borrowers ($)	5.48%		5.1%			
Philanthropy (millions)						
Total Philanthropic Giving (National) (#)	9139	17	9755	17	14	16
Total Philanthropic Giving (National) ($)	$470.76	20	$351.06	19	18	19
CRA Eligible Grants in NYC (#)	1614	19	1640	19	18	19
CRA Eligible Grants in NYC ($)	$73.00	20	$70.97	20	19	20
Average % of Deposits Dedicated to Philanthropy (NYC)	0.02%		0.0%			
Grants to Neighborhood Based Organizations (#)	709	17	640	17	15	17
Grants to Neighborhood Based Organizations ($)	$17.83	17	$16.47	17	15	17
Average % grants to Neighborhood Based Organizations (#)	49.44%		48.4%			
Average % grants to Neighborhood Based Organizations ($)	46.65%		48.9%			
Reinvestment activity (millions)						
Total Reinvestment (includes all banks, whether they reported on some or all categories)	$9914.10		$11168.67			
Average % of Reinvestment to Deposits	4.76%		5.30%			
Overall Index (Total Reinvestment divided by total deposits)	1.23%		1.28%			

APPENDIX D

SAMPLE ANHD ANNUAL REINVESTMENT SURVEY

The purpose of ANHD's Annual Reinvestment Survey is to learn about your bank's CRA-related activities in New York City. We appreciate your willingness to respond to this request. To facilitate as complete a response as possible and obtain consistent data across the city's varied financial institutions, we have developed a form, which is provided below

- **Bank Name / Address:**

Please note, in order to minimize the time this survey takes, we are now able to get the following data from public data sources.

Deposits
- Tier 1 Capital; National (Domestic) Deposits; Dollar amount of deposits in New York City

1-4 Family Lending
- Home Purchase & Refinance Loans overall and to LMI borrowers (# / $)

Small Business Lending
- Small loans to businesses overall and in LMI tracts (# / $)
- Small business loans to businesses with revenue < $1 million overall and in LMI tracts (# / $)

Please provide the following data:
Branching: Branching (2010 census tracts)
- Total Branches in NYC
- Branches in NYC in low-income census tracts
- Branches in NYC in moderate -income census tracts

Please list any government programs (City, State, and or Federal) BANK participated in in 2013 to increase access to unbanked/under-banked New Yorkers

What internal programs, products and/or practices did BANK offer in 2013 that are accessible to and/or targeted to immigrant and low- and moderate-income New Yorkers?

Community Development and CRA-related Staffing

We are requesting the following information concerning Bank's staffing as of December 31, 2012/2013:
- Number of community development lending staff serving the New York City market
- Number of community development lending staff located in the city
- Number of staff supporting CRA-related activities in NYC
- Number of staff who support CRA-related activities that are located in the city

Please fill in the requested above information:

- CD Staff Serving NYC and how many are located in NYC
- Staff supporting CRA Activity and how many are located in NYC

Additionally, does the bank have a centralized community development group dedicated to New York City and staffed by a senior executive?

- (Yes/No)

Please describe what steps the bank has taken to ensure community development staff have knowledge about the New York City market including public subsidy programs.

Finally, does Bank have a community advisory council or other vehicles to identify and respond to emerging needs in the City's LMI neighborhoods?

Community Development Lending

Community development loans are loans to borrowers for affordable housing rehabilitation and construction, neighborhood revitalization, small business development, and job creation initiatives as well as loans to community loan funds and not-for-profit organizations that serve primarily LMI households. We are requesting the following information concerning Bank's community development lending in 2012/2013.

(Please DO NOT include any multifamily loans **originated or refinanced for permanent mortgages –** we ask for those loans to be included in the multifamily lending section)

Please fill in the requested above information:
CD Lending (m)

- Community Development Loans in NYC (#,$)
- Community Development Loans to Nonprofits (#, $) and separately to CDC's (#, $)*
- Community Development Affordable Housing Loans in NYC (#,$)
- Community Development Affordable Housing loans in NYC to Nonprofits (#,$)
- Community Development loans for Economic Development in NYC (#,$)

***Community Development Corporation (CDC)** is a nonprofit organization typically defined by its community-based leadership and community-oriented goals which are, primarily, fostering access to affordable housing and job creation. CDCs are set up by residents, small business owners, religious congregations, members of civic associations, etc. to promote community revitalization. They also provide a wide range of social services, support, and civic engagement opportunities to local residents.

Please provide examples of these CD loans, particularly any you are particularly proud of that represent your commitment to meeting the needs of low- and moderate-income communities

Multifamily Lending in New York City

Multifamily loans are permanent loans, either originations or re-financings, to individual landlords or investors of multifamily properties, such as an apartment building with five or more units. We are requesting the following

information concerning Bank's multifamily lending in calendar year 2012/2013: (As we're confident you've done in the past, please be sure to include re-financing done through a MECA/CEMA agreement, but not loans purchased)

Multifamily (MF) Lending (m)

- MF Loans in NYC (#, $)
- MF Loans in LMI tracts in NYC (#,$)
- MF Community Development Loans (#,$) [this should be multifamily loans that you would also report to CRA regulators as Community Development loans]

Loan Modifications (HAMP and / or Proprietary) in New York City

We are requesting the following information concerning Bank's loan modification activity in New York City in 2012/2013 in both HAMP and non-HAMP (proprietary).

Please fill in the requested information in the gray highlighted boxes below:

Participated in HAMP (circle): Yes / No
Has a proprietary loan modification program: (circle): Yes / No

Loan Modifications (Provide data separately for HAMP &Non-HAMP modifications)

- # Loans Granted a Trial
- # Loans converted from Trial to permanent
- Average length of time a homeowner waits in a trial modification before converting to a permanent modifcation
- # of permanent loan modifications granted principal reduction

For banks covered by the Attorney General's settlement, please describe what you are doing to comply (examples may include, but are not limited to: granting principal reduction, hiring/training staff, providing more staff as Single Points of Contact):

CRA-Qualified Investments in New York City

CRA-qualified investments are a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. For example, banks may purchase state and local government bonds that fund the construction or rehabilitation of affordable housing. For calendar year 2012/13

Please fill in the requested above information:

CRA-Eligible Investments (m)

- CRA Qualified Investments in NYC (#,$)
- CRA Qualified Investments to Nonprofit sponsors (#,$)
- LIHTC in NYC (#,$) & NMTC in NYC (#,$)
- CRA Qualified Investments for economic development in NYC (#,$)

Please provide examples of projects that utilized these CRA-qualified investments, particularly any you are particularly proud of that represent your commitment to meeting the needs of low- and moderate-income communities.

CRA-Eligible Grants (Philanthropy)
We are requesting the following information concerning Bank's CRA-eligible grants in 2012/2013:

ANHD strongly believes that the most effective philanthropic programs: (1) work closely with the not-for-profit sector, (2) are accessible through an RFP process, and (3) are highly intentional, having a specific theory and goal underlying the grantmaking

Are the bank's grants accessible through an RFP process with well-defined procedures and priorities?

Please explain if and how the grant-making program works closely with the not-for-profit sector and its intentionality and theories/goals underlying the grantmaking.

Additionally, please provide information on the bank's participation in local strategic donor collaboratives or coalitions that seek to leverage and better coordinate community investments?

Please fill in the requested above information:

- CRA-Eligible Grants nationwide (total) (#,$)
- CRA Eligible Grants in NYC (#,$)
- CRA Eligible Grants to neighborhood-based organizations in NYC (#,$)
- CRA Eligible Grants to citywide organizations in NYC (#,$)
- % of CRA-eligible grants awarded for Community Development (%)
- % CRA Grants for Affordable Housing (%)
- % CRA Grants for Economic Development
- % CRA-eligible grants awarded for Financial Literacy (%)

Development of a Local CRA Plan

As noted above, we believe an effective CRA program needs to be locally-focused and flexible so as to meet changing community needs and priorities. In New York City, priorities change from year to year, as new issues arise, and needs also differ among individual neighborhoods. A bank should have a local CRA plan which responds to that reality.

Does Bank have a CRA plan for the five boroughs of New York City which reflects local needs and priorities and establishes concrete objectives and targets in the areas of CRA-related lending, investment and services? If so, is this plan publicly available?

Community Responsiveness and Innovativeness

Please describe if the bank has a Community Advisory committee or other body whose function is to work with the bank to identify and address local credit needs and opportunities.

Please provide information on any products or loan programs offered by Bank that reflect flexible underwriting standards or loan terms thereby enabling the bank to reach borrowers that you were previously not serving. Additionally, please describe how the bank has marketed this product to underserved populations.

Economic Development: Please provide information on any products or programs at BANK that reflect an intentional, innovative, creative strategy around equitable economic development to create and preserve quality jobs for LMI residents and neighborhoods.

GLOSSARY IF TERMS AND ACRONYMS

Bank Classifications as defined by the FFIEC and OCC.

Retail Savings and Commercial Banks:

Commercial Bank: A financial institution that is owned by stockholders, operates for a profit, and engages in various lending activities. These include **National and State-Chartered Banks.**

Savings Banks in reference to Thrifts, defined as: An organization that primarily accepts savings account deposits and invests most of the proceeds in mortgages. These include **Savings Banks and Savings and Loan**

Associations: Financial institutions that accept deposits primarily from individuals, and channel funds primarily into residential mortgage loans.

Wholesale Banks: Commercial banks that are not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect. They provide financial services to other large corporations or governments. For CRA exams, they are evaluated by more narrowly defined standards.

Census Tract: Small subdivisions of populated counties. They usually contain between 2,500 and 8,000 persons, and their physical sizes vary widely depending upon population density. Census tract boundaries are designated with the intention of being maintained over a long time so that statistical comparisons can be made over the long term.

Community Development: A range of bank activities targeted to low- and moderate-income individuals including lending for affordable housing; community services; initiatives that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration; or activities that revitalize or stabilize low- and moderate-income geographies.

Community Development Corporation (CDC): A nonprofit organization typically defined by its community-based leadership and community-oriented goals which are, primarily, fostering job creation and access to affordable housing. CDCs are set up by residents, small business owners, religious congregations, members of civic associations, etc. to promote community revitalization. They also provide a wide range of social services, support, and civic engagement opportunities to local residents.

Community Development Lending: Loans with a specific community development purpose as defined above. Loans may be to government entities, for-profit companies, and nonprofit organizations. For CRA exams, community development lending includes multifamily mortgages for apartments that serve low- and moderate-income households or otherwise contribute to neighborhood revitalization. For this report, ANHD does not include them, but rather analyzes them separately within all multifamily lending.

Community Development Financial Institutions (CDFIs): Specialized, mission-driven financial institutions that create economic opportunity for individuals and small businesses, quality affordable housing, and essential community services throughout the United States. Four types of institutions are included in the definition of a CDFI: Community Development Banks, Community Development Credit Unions, Community Development Loan Funds, and Community Development Venture Capital Funds.

Community Preservation Corporation (CPC): A public-private partnership created in New York City in 1974 in response to the problems of housing deterioration and abandonment. CPC is sponsored by 70 prominent banks and insurance companies and serves as a "one stop shop" to help developers finance the construction and preservation or rehabilitation of affordable multifamily housing in New York City.

Community Reinvestment Act (CRA): This federal law, which was passed in 1977 and updated in 1995, asserts that "regulated financial institutions have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered." The CRA requires that each institution's record in helping meet the credit needs of low- and moderate-income people and communities be evaluated periodically. That record is taken into account in considering applications for mergers and acquisitions and to open and close branches.

Large banks are examined rigorously through specific lending, investment and service tests. Smaller banks undergo a less rigorous, more streamlined exam that looks at all three areas, but focuses more on lending. The Gramm-Leach-Bliley Act of 1999 established a less frequent exam cycle for small banks of under $250 million in assets with passing CRA ratings.

> **Lending Test:** The part of a CRA exam that evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities by considering a bank's home mortgage, small business, farm, and community development lending.
>
> **Investment Test:** The part of a CRA exam that evaluates a bank's record of helping to meet the credit needs of its assessment area through qualified investments and grants that benefit its assessment area or a broader statewide or regional area that includes the bank's assessment area.
>
> **Service Test:** The part of a CRA exam that evaluates a bank's record of helping to meet the credit needs of its assessment area by analyzing the availability and effectiveness of a bank's systems for delivering retail services and the extent and innovativeness of its community development services.

CRA-Eligible Philanthropy: A type of CRA-qualified investment that refers to the provision of grants for general operating and program-specific support, and sponsorship of fundraising galas, conferences, and community education events. As with all CRA-qualified investments, these grants must have community development as their primary purpose and benefit low- and moderate-income individuals.

CRA-Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development. For example, banks may purchase state and local government bonds or tax credits (e.g. Low-Income Housing Tax Credits) that fund the construction or rehabilitation of affordable housing.

Deposit Base: The money a bank holds from customers looking for safekeeping or to earn interest.

Equitable economic development: Activities that support the systems and environments to create a stable middle and working-class employment base and workforce that creates a meaningful path to the middle class. It ensures that these systems and opportunities are intentionally extended to the low- and moderate-income and underserved communities that need them most through targeted strategies for quality job creation, small business development, and workforce development and placement.

Federal Deposit Insurance Corporation (FDIC): An independent federal agency created in 1933 in response to the bank failures that precipitated the Great Depression. Among other things, the FDIC insures customer

deposits up to $250,000 held in banks and thrift institutions and supervises (including conducting CRA examinations of) more than 4,900 banks, predominantly savings banks and state-charted commercial banks that did not join the Federal Reserve System.

Federal Reserve Board (FRB): The governing body of the Federal Reserve System. As the central bank of the U.S., it carries out the nation's monetary policy in an effort to create jobs and maintain the stability of the financial system; supervises and regulates banks; and provides financial services to depository institutions, the U.S. government, and foreign official institutions. The FRB conducts CRA examinations mainly for state-chartered commercial banks that are members of the Federal Reserve System.

Home Mortgage Disclosure Act (HMDA): A federal law enacted in 1975 that requires lending institutions to report public loan data in order to determine whether financial institutions are serving the housing needs of their communities; identify possible discriminatory lending patterns; and leverage private sector investments to high-need areas.

Home Purchase Lending: Loans extended to consumers by financial institutions to be used towards the purchase of an owner-occupied 1-4 family home.

Home Refinance Lending: Loans extended to consumers by financial institutions to be used towards the refinance of an owner-occupied 1-4 family home. The standard definition of a HMDA refinance loan is one in which the original mortgage is satisfied and replaced with a new mortgage.

Housing and Urban Development (HUD): The US Department of Housing and Urban Development is a federal agency with a mission to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD administers a variety of programs to promote affordable rental housing, including but not limited to LIHTC and NMTC investments and Section 8 vouchers for individuals and buildings.

Housing Development Corporation (HDC): Created in 1971 as a supplementary and alternative means of financing affordable housing in New York City that was independent from the City's capital budget. HDC issues bonds and provides subsidies and low-cost loans to develop and preserve a variety of housing, large and small, for rental and homeownership.

Housing Preservation and Development (HPD): This New York City agency is primarily responsible for preserving and developing affordable housing and enforcing the rights and responsibilities of tenants, landlords, and homeowners. HPD works to strengthen neighborhoods and enable more New Yorkers to become homeowners or to rent well-maintained, affordable housing.

Low-Income: A family whose income is less than 50% of the Area Median Income (AMI). New York City is part of the New York Metropolitan Area with an AMI $68,300 (low-income $34,150) in 2012 and $66,000 (low-income $33,000) in 2013. Using slightly different geographic areas, and adjusting for the high cost of housing, HUD set 50% AMI for a family of four to be $41,400 in 2012 and $42,950 in 2013.

Low Income Housing Tax Credit (LIHTC): An indirect Federal subsidy used to finance the development of affordable rental housing for low-income households. Its main purpose is to incentivize and leverage private-sector investment capital for the creation of rental housing units in each state affordable to households earning 60% or less of Area Median Income (AMI), or $38,520.

Moderate-Income: A family whose income is 50%-80% of the Area Median Income (AMI). New York City is part of the NY Metropolitan Area with an AMI $68,300 (moderate-income $54,640) in 2012 and $66,000 (moderate-income $52,800) in 2013. Using slightly different geographies and adjusting for the high cost of housing, HUD set 50%-80% AMI for a family of four to be $41,400-$66,400 in 2012 and $42,950-$68,700 in 2013.

Multifamily Lending: Loans, either originations or re-financings, to individual landlords or investors of multi-family properties, which are buildings with five or more housing units.

New Markets Tax Credit (NMTC) Program: A federal program created in 2000 that grants tax credits for making Qualified Equity Investments in qualified community development entities that are expected to result in the creation of jobs and material improvements in low-income communities, including financing small businesses, improving community facilities, and increasing homeownership.

Office of the Comptroller of the Currency (OCC): The OCC charters, regulates, and supervises all national banks and federal savings associations. The OCC also supervises the federal branches and agencies of foreign banks. The OCC conducts the CRA examinations of all national commercial banks.

Predatory Equity: A term used to describe a real estate investment model in which developers and lenders seeking a high return on their investment underwrite a mortgage on affordable, rent-regulated, multifamily buildings based not on the actual rental income and expense, but on the speculative income they expect to receive if the low-rent paying tenants were to move out. This has directly led to landlords legally and illegally pushing out lower-income tenants and taking advantage of loopholes in the rent regulation system to dramatically raise the rent, leading to a significant loss of affordable housing. Additionally, when the model has been unsuccessful and rents could not be raised quickly enough to cover the mortgage, it led to a wave of buildings falling into financial and physical distress.

Responsible Banking Act (RBA): A New York City law passed in 2012 that requires banks seeking to hold city deposits to report on their reinvestment activities and plans to better meet the credit needs of low- and moderate-income New Yorkers. The law creates a formal system for public input through annual public hearings on the banking needs of local communities and bank responses to those needs.

Small Business Administration (SBA): The US Small Business Administration was created in 1953 primarily to assist and protect small businesses and strengthen the US economy. They currently strive to help Americans start, build and grow businesses through loans, grants, training, and technical assistance.

Small Business Loans: ANHD considers business loans of $1 million or less made to firms with annual revenues of $1 million or less. CRA regulators consider them to be loans of $1 million or less to businesses of any size and then analyze them by amount, geography, and business size.

Tier 1 Capital: Tier 1 Capital is the core measure of a bank's financial strength from a regulatory perspective. It is a core indicator of a banks strength and ability to absorb losses. Tier 1 Capital is composed of core capital, which consists primarily of common stock and disclosed reserves.

Sources:

a. Definitions related to CRA: http://www.federalreserve.gov/communitydev/cra_about.htm, www.frbsf.org/community/craresources/CRA101JO.ppt, http://www2.fdic.gov/crapes/peterms.asp; and http://www.ffiec.gov/cra; Regulation BB Community Reinvestment, Section 228.12(s); www.ncrc.org/images/stories/pdf/cra_manual.pdf
b. Census tract information: http://www.census.gov/geo/www/cen_tract.html;
c. Area Median Income data: http://www.huduser.org/portal/datasets/il/il2011/2011summary.odn
d. Additional CRA Exam information and agency and acronym definitions retrieved from: www.sba.gov; www.hud.gov; www.nyc.gov/hpd; www.nychdc.com; www.communityp.com; www.occ.gov; www.federalreserve.gov; www.fdic.gov; www.irs.gov
e. ANHD Reports: http://www.anhd.org/resources-reports

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