THE STATE OF BANK REINVESTMENT IN NEW YORK CITY: 2013

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

ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.

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Founded in 1974, the Association for Neighborhood and Housing Development (ANHD) has grown into a consortium of 98 non-profit housing 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. 1125, New York, New York 10004. 212-747-1117.

Researcher, writer: Jaime Weisberg   Cover design layout: Jan MacDougall

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ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.

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Summary of Major Findings

- **Locally held deposits in the 24 largest banks in New York City increased 22% in 2011 but the volume of dollars reinvested did not keep pace in most areas.** Multifamily lending increased greatly, while other types of loans and investments increased by less or decreased.

	2010	2011	% change 2010-11
Locally held deposits	$584.5 billion	$714.6 billion	22.26%
Total Amount Reinvested	$7.59 billion	$9.69 billion	27.66%
Community Development Loans, Investments, and Grants	$4.93 billion	$3.50 billion	-28.86%
Core Consumer & Commercial Lending Reinvestment (1-4 family,multifamily, and small business lending)	$2.66 billion	$6.19 billion	132.12%

- **The number of bank branches changed little in 2011, but most branches are clustered in mid- and lower Manhattan, with fewer in the outer boroughs;** some neighborhoods still have no branches at all. Barriers to banking such as cost and requirements to open accounts can make basic banking unaffordable and inaccessible to working-class New Yorkers.
- **Community development lending and investments decreased considerably from 2010, while lending to nonprofits increased.** We recognize, however, that some community development deals can take longer to close, especially larger and more impactful ones, which can lead to some fluctuations year to year. Comparing average loans and investments between 2008-09 and 2010-11 shows longer term trends of increasing reinvestment.
- **Philanthropy increased 15%, although the number of grants remained mainly flat.** The amount given to neighborhood-based organizations increased 38%. Banks continue to dedicate a very small percentage of their deposits to CRA-eligible grants – an average of 0.02% in 2011.
- **Multifamily lending more than doubled overall and in low- and moderate-income neighborhoods.** Indicators of distressed multifamily housing seem to have decreased, but speculative loans still pose a threat to affordable housing. No public data exists to indicate when a building in good condition is overleveraged, which means regulators must look at other risk factors, such as low debt service coverage ratios at the time of origination, and should work with tenant organizers to identify patterns of harassment and neglect.
- **1-4 family home purchase and refinance lending decreased nearly across the board, only increasing in refinance lending to low- and moderate-income borrowers.** The 20 retail banks made 12% fewer home purchase loans to LMI borrowers, but the number of refinance loans to the same population increased 19%. Racial disparities persist in lending.
- **The number of small business loans increased 22% overall and by 26.8% in low- and moderate-income census tracts.** These are small dollar loans ($1 million or less) to small businesses with revenues of $1 million or less. Both lagged the increase in small dollar loans to businesses of any size, which increased 40% overall and 49% in LMI tracts.

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. The Area Median Income (AMI) in New York City was calculated to be $67,400 in 2011, but it must be noted that this is based on the incomes of New York City combined with wealthier counties in New York - Putnam, Westchester, and Rockland Counties – and the Hudson and Passaic Counties in New Jersey. By this definition – based on this large, combined region – low-income (50% AMI) is $33,700 and moderate-income (80% AMI) is $53,920. 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. At the same time, we have seen the impact of policies and practices that have weakened the CRA over the years, including the erosion and repeal of the Glass-Steagall Act, the massive consolidation of the bank industry, and a rise in predatory and discriminatory lending and products.

The fundamental principle of the CRA is that in return for the very valuable taxpayer-backed public benefits banks receive – benefits that include cheap funds from the Federal Reserve discount window and the explicit government backing of deposits should the Federal Deposit Insurance Corporation (FDIC) lack sufficient resources in the Deposit Insurance Fund – banks are required to be more than just profit-seeking businesses. They must incorporate a significant measure of community reinvestment activities into their business models in order to help meet local lending, investment, and service needs.

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*. Simply put, 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 to examine reinvestment activity in New York City.

ANHD believes that bank reinvestment benefiting low- and moderate-income New Yorkers should be substantial and in proportion to each bank's locally-held deposit base. 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. This year, instead of one overall ranking, we introduce a more nuanced version of the reinvestment index to compare the volume of reinvestment activity and a relative quality score of additional factors that have an impact beyond the dollar amount. Finally, as we prepare for the City's Responsible Banking Act to go into effect, we introduce new data regarding how banks do business with the City. This new law 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.

MAJOR FINDING #1

OVERALL REINVESTMENT VOLUME INDEX AND QUALITY SCORE: A NEW TOOL TO MEASURE AND COMPARE BOTH THE VOLUME AND QUALITY OF REINVESTMENT ACTIVITY IN NEW YORK CITY.

This year, instead of one overall ranking, ANHD is using a 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.

Community Development Reinvestment Index: Community development reinvestment includes loans and investments that finance the construction and rehabilitation of affordable housing and community facilities; programs connected with job creation, education, healthcare, and other efforts to revitalize neighborhoods; and grants to support nonprofits that engage in all areas of community development. *The Community Development Reinvestment Index* is the sum of community development lending, CRA-qualified investments, and CRA-eligible grants divided by the bank's locally held deposits.

Core Consumer and Commercial Lending Reinvestment includes 1-4 family home purchase and refinance loans to low- and moderate-income borrowers and multifamily and small business loans (loans less than $1 million to businesses with revenues below $1 million) in low- and moderate-income census tracts. The Core Consumer and Commercial Lending Reinvestment Index is the total of these loans divided by the bank's locally held deposits.

Overall Reinvestment QUALITY SCORE: To measure quality, we look at 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 determine the median value among banks of the same classification – commercial, savings, 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 are not scored on branching or core consumer and commercial lending. The Overall Reinvestment Quality Score is the average of three separate scores, which are summarized here and described in detail in the reinvestment volume index and quality score section of the report.

> The Community Development Score compares the percentage of loans and investments for affordable housing, percentage of loans and investments to nonprofits and loans to locally based CDC's, and percentage of deposits to CRA-eligible grants.
>
> The Core Consumer and Commercial Lending Score compares the percentage of loans to low- and moderate-income borrowers and in low- and moderate-income census tracts.
>
> The Service and Responsiveness Score compares the percentage of branches in low- and moderate-income census tracts, percentage of community development staffing in New York City, and community responsiveness and innovativeness.

We distinguish between community development loans and investments, and core consumer and commercial loans. 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. Core lending is just as important, but relates more closely to a bank's main business and should be analyzed for volume, quality, and fair lending. A bank may not make all three types of loans – multifamily, 1-4 family, and small business – but for any loans they do originate, they should lend equitably and responsibly to low- and moderate-income borrowers and neighborhoods.

Overall, few banks perform at the top or the bottom in every category and while we recognize that no one tool can capture every aspect of good community development, we hope that this metric proves useful to highlight areas where banks do well and areas they could improve. This enables us to compare banks to themselves and also to each other, with clearer benchmarks to meet, while still allowing for flexibility in the types of lending, investments, and services each bank provides.

TABLE 1

2011 OVERALL REINVESTMENT VOLUME INDEX AND QUALITY SCORE

Overall Reinvestment VOLUME Index Measures volume of reinvestment loans and investments to its locally held deposits		Overall Reinvestment QUALITY Score Measures how loans, investments, and services reach lower-income residents and neighborhoods	
	Overall Reinvestment VOLUME Index		Overall Reinvestment QUALITY Score
Commercial		Commercial	
Capital One	7.68%	Popular Community Bank†	3.6
Wells Fargo	6.68%	Capital One	3.36
M&T Bank	5.36%	Bank of America	3.22
Citibank	2.36%	Chase	3.06
Popular Community Bank†	2.19%	M&T Bank	2.94
TD Bank	1.41%	TD Bank	2.56
HSBC	0.56%	Citibank	2.53
Bank of America	0.49%	Wells Fargo	2.5
Chase	0.39%	HSBC	2.19
Signature*	12.35%	Signature	1.57
Valley National*	1.86%	Valley National	1.37
Savings		Savings	
NY Community Bank	41.01%	Carver	4.06
Carver	5.85%	Sovereign	2.94
Ridgewood	2.41%	NY Community Bank	2.89
Astoria	2.26%	Ridgewood	2.67
Apple	1.04%	Emigrant	2
Sovereign	0.59%	Astoria	1.85
Dime*	12.01%	Apple	1.58
Flushing*	1.43%	Dime	1.5
Emigrant*	0.38%	Flushing	1.5
Wholesale		Wholesale	
Morgan Stanley	3.32%	Morgan Stanley	3.08
Goldman Sachs	0.62%	Deutsche Bank	3
Deutsche Bank	0.20%	Goldman Sachs	2.83
Bank of NY Mellon*	0.16%	Bank of NY Mellon	0.5

† Banco Popular is now called Popular Community Bank
* Did not provide total community development loans, investments, and/or grants

MAJOR FINDING #2

WHERE THE CITY DOES BUSINESS WITH BANKS AND FINANCIAL INSTITUTIONS: AN ANALYSIS OF THE BANKS, SUBSIDIARIES, AND NON-BANK FINANCIAL INSTITUTIONS THAT HOLD CITY DEPOSITS; PROCESS CITY MONEY; AND MANAGE, INVEST AND ADVISE CITY TREASURY AND PENSION FUNDS.

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.

In Fiscal Year 2012, New York City had $68 billion in revenue, $75 billion in expenses, and issued nearly $13 billion in bonds. The City's five pension funds paid benefits totaling $11.5 billion and ended the year with $122 billion in assets. Every year, this money flows to and through financial institutions that provide important services to the City and also receive significant fees and profits in exchange.

ANHD analyzed which financial institutions the City does business with, looking at deposits, cash balances, bond underwriters, asset management contracts paid for by the pension funds, and contracts with the City for banking, services, asset management, procurement, and bond financing. This may not cover every area, but it gives a good sense of to what banks the City gives business.

Twenty-five banks are designated as eligible to hold City deposits, but the majority of the City's daily banking is done with Bank of America, Chase, Citibank, Wells Fargo, and the Boston-based State Street Bank & Trust. In Fiscal Year 2012, excluding banking development district deposits, the Department of Finance (DOF) had a daily average of $412 million in deposits at the Big Four banks. The City actually has an average of roughly $6 billion in daily cash balances, which fluctuates widely throughout the year. Most of it is managed and invested by State Street, only to be transferred to the City treasury when it is needed for day-to-day operations. DOF and city agencies (excluding the Comptroller) currently have over $66 million in active contracts with banks for a variety of services as well as over $45 million annually in credit card purchases, which are not fees but likely generate profits from "swipe fees."

> "Tens of billions of dollars of City money flow through financial institutions. The City should do more business with banks that meet the credit needs of the City's lower-income residents and less business with those that do not."

But holding City deposits is only a small part of the business dealings with financial institutions. They also manage City and pension assets and finance bond transactions through underwriting, letters of credit, liquidity, reissuing and re-marketing bonds, and advisory services.

Two banks are particularly integral to the management of New York City: The Bank of New York Mellon and State Street Bank & Trust. The Bank of New York Mellon is the transfer and paying agent for New York City bonds, receiving and paying out the interest to bondholders who must redeem their bonds from them. As mentioned above, State

Street manages the short-term investment of City treasury funds. The Bank of New York Mellon has long been the custodial agent for the City's pension system, but when that contract ends in the fall of 2013, it will be transferred to State Street.

Recent contracts with the Comptroller's office reveal that the City has nearly $443 million in active contracts (average $57.5 million per year) with financial institutions to manage City treasury funds, manage and advise pension funds, and provide services related to bonds. Many contracts are with independent firms, but at least 18 are with CRA-covered banks and subsidiaries. The largest contracts are with Bank of America, The Bank of New York Mellon, Barclays, Chase, Citibank, Wells Fargo, Morgan Stanley, Goldman Sachs, and Mizuho.

These numbers will not capture fees paid outside of a registered contract, such as bond underwriting fees. Senior managers and senior co-managers indicate the institutions that stand to benefit the most from bond underwriting and trading. In addition to independent non-bank firms, 11 banks are senior managers and senior co-managers for one or more of New York City General Obligation, Transitional Finance Authority, and Municipal Water Finance Authority Bonds. Morgan Stanley, Bank of America, Chase, Citibank, Wells Fargo, and Goldman Sachs are each senior managers and senior co-managers. PNC, RBC, TD Bank, and US Bank are also senior co-managers.

The City also has over $820 million (averaging $287M/year) in active pension-funded contracts with financial institutions paid to manage these funds. The majority of contracts, including the nine largest, are with independent non-bank financial institutions. Seven are with subsidiaries of bank holding companies that also include banks with a CRA obligation: State Street, Morgan Stanley, Goldman Sachs, GE Asset Management, Wells Fargo, Chase, and Amalgamated.

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 the diverse neighborhoods of the City, 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.

MAJOR FINDING #3

THE "BIG FOUR" BANKS COLLECTIVELY DO NOT PULL THEIR WEIGHT: CHASE, CITIBANK, BANK OF AMERICA, AND WELLS FARGO HAVE 60% OF THE LOCAL DEPOSITS AND ACCOUNT FOR ONLY 35% OF REINVESTMENT

The "Big Four" banks – Chase, Citibank, Bank of America, and Wells Fargo – continue to play a large role in the City and the nation, yet collectively do not pull their weight in reinvestment. They hold 60% of the local deposits among the banks in our study, yet account for just 34.5% of the volume of reinvestment activity. This is particularly pronounced in multifamily lending in lower-income census tracts, small business lending, and CRA-eligible grants. They do, however, meet their fair share of CRA-qualified investments, come close in community development lending, and continue to dominate the 1-4 family home market.

Detailed Analysis of Bank Reinvestment

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 apartment buildings, and small businesses. Locally held deposits increased by 22% from 2010 to 2011 (taken June 30th of each year), but reinvestment did not keep pace. Only multifamily lending increased at a faster pace (more than doubling). The remaining reinvestment volume increased by less or decreased.

Multifamily Lending:

Rental housing in multifamily apartment buildings is a critical source of housing for the two-thirds of New Yorkers who rent their homes, and especially for lower-income residents. New York City has over 1 million private rent-regulated units, nearly half of all rental units. Rents in these units are typically below market-rate, making it one of the most important sources of private affordable housing in the City. Multifamily lending more than doubled in 2011; the 20 retail banks in this study made 2,568 loans ($10.9 billion), up from 1,186 loans ($4.7 billion) in 2010. In lower-income tracts, lending increased to 1,582 loans ($5.6 billion), from 788 loans ($2.1 billion).

Equally important to the volume of lending, if not more so, is that the loans are underwritten responsibly and preserve affordability. Loans should be 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.

TABLE 2

HIGHEST PERCENTAGE OF MULTIFAMILY LENDING IN LOW- AND MODERATE-INCOME (LMI) TRACTS 2011 (MILLIONS)

	% loans LMI (#)	# loans in LMI tracts	% loans in LMI tracts ($)	Loans in LMI tracts ($)	Total Loans #	Total Loans ($)
Commercial						
Signature	71.27%	263	63.42%	$774.63	369	$1,221.39
Capital One	67.60%	315	64.45%	$1,275.90	466	$1,979.70
Chase	57.73%	198	52.47%	$605.00	343	$1,153.00
Wells Fargo	53.85%	14	60.70%	$470.20	26	$774.65
Popular Community Bank	50.00%	6	79.76%	$28.18	12	$35.33
Savings						
Carver	100.00%	3	100.00%	$1.68	3	$1.68
Flushing	71.19%	42	68.42%	$18.78	59	$27.44
NY Community Bank	53.50%	512	39.03%	$1,910.08	957	$4,893.33
Ridgewood	48.57%	34	32.08%	$47.00	70	$146.50
Emigrant	42.86%	15	36.96%	$6.21	35	$16.80

Irresponsible lending can open the door to a type of discrimination known as "predatory equity." Predatory equity investors typically make loans in communities of color, but base those loans on highly speculative underwriting. This was a common practice in the City in the early 2000's and has resulted in the widespread harassment and eviction of low-income tenants in those buildings. In the wake of the economic crisis, however, 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, with owners frequently opting to disregard needed repairs.

In this study, we use a variety of indicators to identify buildings at risk of physical and/or financial distress. Signs of distress have decreased greatly since the financial crisis, indicating that the City's targeted code enforcement efforts coupled with successful organizing by community groups is having an impact. But it is important to note that there is no public data to indicate an overleveraged building that hasn't yet fallen into distress, which is a worst case scenario. A speculative loan that moves out lower-rent paying tenants and brings in tenants who pay higher rents might be in good condition, but has become unaffordable to the local residents as a result of the loan underwriting. This is why it is critical that regulators ensure that loans are made based on the real incomes and expenses of the building. Regulators should also consult with community organizations that work closely with tenants to get first-hand accounts of any problems in the buildings and how the banks are responding. The New York State Department of Financial Services has recently taken an important step, stating that loans that result in a loss of affordable housing or poor conditions will not get Community Development credit on CRA exams.

Regardless of CRA credit, all lenders, and especially those with rent-regulated buildings, should ensure that the landlords maintain the buildings in good condition and preserve their affordability. Lenders should do everything possible to transfer distressed assets to preservation minded owners who will commit to keeping the units permanently affordable. The "First Look Program" designed by ANHD, the New York City Department of Housing, Preservation and Development (HPD), and New York City Council leadership is one tool to do this by giving a community-minded developer recommended by ANHD and HPD an early and exclusive opportunity to buy foreclosed rent-stabilized apartment buildings or the distressed mortgages on those buildings.

> Basic banking shouldn't be a niche product. All banks, and especially those that seek city business, should be competing to meet the needs of all New Yorkers, with affordable and accessible banking products.

Branching:

Studies show that increasing bank branches has a direct and positive impact on small business lending and can lead to individual wealth-building. The absence of branches opens the door to predatory businesses such as payday lenders, pawn shops, and check cashers. However, branching alone is not sufficient if people can't open an account in that branch. Regulators must also look at the products offered and their impact on the community: availability of low-cost bank accounts without high and hidden fees or high barriers to entry, equal access for immigrants, flexibility with prior banking issues, outreach and education to truly reach unbanked and under-banked people, and finally how those products are marketed and utilized. Basic banking products must be accessible, affordable, and appropriate to the needs of the communities in which they operate.

Branching remained stable overall and in low- and moderate-income tracts with an average of 29% of branches in low- and moderate-income communities and, within that, 7% in low-income communities. However, the majority of branches are clustered in mid- and lower Manhattan. Fewer are in the outer boroughs, with some neighborhoods still having no branches at all.

In addition to these disparities, the largest banks with the most branches may not be accessible to low-income New Yorkers. Because they are not state chartered, they are not required by law 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. Therefore, if someone can't meet one of their requirements for minimum balances or being paid by direct deposit, they face monthly fees of $7 - $12. Others with previous banking problems may not be able to open an account at all. Finally, people with bank accounts risk being hit with high or hidden fees related to overdrafts and other penalties, where amounts and practices vary greatly among banks. We appreciate the efforts some banks are making by partnering with the City and State in programs to reach unbanked and under-banked New Yorkers, but basic banking shouldn't be a niche product. All banks, and especially those that seek city business, should be competing to meet the needs of all New Yorkers, with affordable and accessible banking products.

TABLE 3

HIGHEST PERCENTAGE OF BRANCHES IN LOW- AND MODERATE-INCOME (LMI) CENSUS TRACTS IN NYC (2011)

	% in LMI Tracts	# in LMI Tracts	Total Branches
Commercial			
Popular Community Bank	62.50%	20	32
Bank of America	35.71%	40	112
Chase	29.95%	115	384
Savings			
Apple Bank	55.88%	19	34
Carver	55.56%	5	9
Ridgewood	38.46%	10	26

TABLE 4

HIGHEST PERCENTAGE OF BRANCHES IN LOW-INCOME (LI) CENSUS TRACTS (2011)

	% in LI Tracts	# in LI tracts	Total Branches
Commercial			
Popular Community Bank	31.25%	10	32
Bank of America	11.50%	13	112
Chase	8.85%	34	384
Savings			
Apple Bank	17.65%	6	34
Emigrant	13.64%	3	22
Carver	11.11%	1	9

Community Development Lending & CRA-Qualified Investments:

Community development loans and investments provide vital sources of financing for both for-profit and nonprofit developers to build and rehabilitate affordable housing and community facilities. These funds may also go towards projects and organizations that focus on job creation, education, healthcare, and neighborhood revitalization. New York City is on the forefront of affordable housing creation and preservation, with innovative programs and initiatives rarely seen elsewhere, much of which would not be possible without financing made possible by the CRA.

Community development lending and investments declined considerably in 2011 as compared to 2010. Lending was down 24% and investments down 39%. Despite these trends, community development lending to nonprofits actually increased, up 13%, and number of loans 5.5%. CRA-qualified investments decreased by 37%, but the number of investments increased 44%, reflecting larger numbers of smaller investments. That being said, we recognize that certain community development deals, particularly large and impactful ones, can take a long time to close, thus certain fluctuations can be expected. The picture changes considerably when looking at distinct two-year periods, 2008-09 and 2010-11. For the 15 banks that provided data since 2008, lending increased 19% between those periods. For the 12 banks reporting on CRA-qualified investments in those four years, two-year averages also increased 14%.

By any measure, however, **the percentage of lending and investments to deposits is still quite low, with only three banks exceeding 2% of deposits to community development loans and most below 1%.** The percentage of deposits for CRA-qualified investments is even lower.

TABLE 5

HIGHEST PERCENTAGE OF NYC DEPOSITS DEDICATED TO COMMUNITY DEVELOPMENT (CD) LENDING 2011 (MILLIONS)

	% of Deposits	CD Lending
Commercial		
M&T Bank	3.17%	$72.87
Signature	2.61%	$210.34
Citibank	1.54%	$719.46
Savings		
NY Community Bank	2.76%	$139.51
Carver	0.99%	$5.07
Ridgewood	0.37%	$9.50
Wholesale		
Morgan Stanley	1.54%	$102.00
Goldman Sachs	0.31%	$97.61
Bank of NY Mellon	0.14%	$144.00

TABLE 6

HIGHEST PERCENTAGE OF NYC DEPOSITS DEDICATED TO CRA-QUALIFIED INVESTMENTS 2011 (MILLIONS)

	% of Deposits	CRA-qualified investments
Commercial		
Wells Fargo	1.07%	$116.88
TD Bank	0.85%	$93.87
Citibank	0.60%	$279.53
Savings		
Carver	4.05%	$20.75
Ridgewood	0.18%	$4.50
NY Community Bank	0.08%	$3.95
Wholesale		
Morgan Stanley	1.67%	$110.28
Goldman Sachs	0.24%	$75.84
Deutsche Bank	0.06%	$11.00

Philanthropy:

CRA-eligible grants increased 15% for all 18 banks reporting in both years, although the number of grants remained mainly flat, down 2%. The amount of money given to neighborhood-based organizations (NBO's) also increased considerably. ANHD strongly believes that the most effective community development philanthropic programs: 1) work closely with the nonprofit sector; 2) are accessible through an RFP process; and 3) are highly intentional, having a specific theory and goal underlying the grantmaking. These principles give philanthropy an impact beyond just the dollar amount. Deutsche Bank has long embodied these principles in their grantmaking, particularly in programs like Working Capital and SHARE that provide critical dollars in the early phases of development. M&T Bank and Capital One are also long-recognized partners in providing programmatic support, including community organizing, and general operating support grants that support nonprofit organizations in their day to day operations.

TABLE 7

2011 HIGHEST PERCENTAGE OF CRA-ELIGIBLE GRANTS IN NEW YORK CITY TO LOCAL DEPOSITS (MILLIONS)

	Grants (#)	Grants ($)	NBO Grants (#)	NBO Grants ($)	% to Deposits for Grants
Commercial					
Wells Fargo	60	$4.13	60	$4.13	0.04%
M&T Bank	90	$0.66	70	$0.47	0.03%
Capital One	232	$4.07	124	$1.49	0.02%
Savings					
NY Community Bank	119	$1.29	87	$1.09	0.03%
Carver	15	$0.05	7	$0.02	0.01%
Ridgewood	88	$0.17	66	$0.08	0.01%
Wholesale					
Morgan Stanley		$7.05			0.11%
Goldman Sachs	75	$22.64	18	$13.23	0.07%
Deutsche Bank	116	$4.70	31	$1.70	0.02%

However, banks continue to dedicate a very small percentage of their deposits to these critical investments that enable nonprofits to carry out their missions. Loans and investments provide financing for certain specific projects, but nonprofits need additional resources to explore new projects, provide services, and conduct other activities to serve their communities. Philanthropy is the only investment for which the bank does not get a return on investment and is thus a truer expression of their values and commitment to New York City neighborhoods. Nonprofits need these funds in good times and bad and ANHD believes banks should also maintain and even increase their commitments in good times and bad.

1-4 Family Home Purchase & Refinance Lending:

While the majority of New Yorkers rent their home, homeownership remains an important source of housing for many New Yorkers, with homeownership rates hovering around 32% since 2005. Access to affordable 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 communities and people of color hardest hit by the housing crisis.

Following an increase in lending between 2009 and 2010, lending decreased across the board in home purchase and refinance lending, only increasing in refinance lending to low- and moderate-income borrowers. Access to affordable refinance loans is particularly important for lower-income homeowners to take advantage of lower rates and lower their monthly payments, thus this last trend is encouraging.

TABLE 8

PERCENT CHANGE IN 1-4 FAMILY HOME LENDING 2010-11

	2010	2011	% Change
Home Purchase (#)	17,649	14,941	-15.34%
Home Purchase ($)	$7,250.20	$6,457.25	-10.94%
...to LMI borrowers (#)	1,697	1,500	-11.61%
...to LMI borrowers ($)	$235.65	$217.36	-7.76%
Refinance (#)	17,569	16,755	-4.63%
Refinance ($)	$6,765.45	$6,417.73	-5.14%
...to LMI borrowers (#)	1,302	1,545	18.66%
...to LMI borrowers ($)	$198.37	$221.45	11.63%
Total Lending (#)	35,218	31,696	-10.00%
Total Lending ($)	$14,015.65	$12,875	-8.14%
Total Lending to LMI (#)	2,999	3,045	1.53%
Total Lending to LMI ($)	$434.02	$438.81	1.10%

Mortgage lending for 1-4 family homes in New York City continues to be dominated by Chase, Citibank, Wells Fargo, Bank of America and HSBC which together originated 90% of the home purchase loans in this study and over half of all loans in the City. Yet, none of these five banks ranked in the top three in the percentage of their home purchase loans to low- and moderate-income borrowers and only Chase does in its percentage of refinance loans to low- and moderate-income borrowers.

Racial disparities persist in lending. Non-Hispanic Whites make up 33% of the City's population, while non-Hispanic Blacks and Latinos make up about 23% and 29%, respectively. Yet, the homeownership rates and lending do not reflect that distribution. According to the Furman Center for Real Estate and Urban Policy at New York University (Furman Center), as of 2011, the homeownership rate for non-Hispanic Whites was 42%, but only 26% for Blacks and 15% for Latinos. On average, only 11% of home purchase loans by commercial banks and 4% of savings banks were made to non-Hispanic Black borrowers. For Latino borrowers, that drops to an average of 7% among commercial banks and 3% among savings banks.

Small Business Lending:

New York City is home to over 198,500 small businesses that employ fewer than 20 people and over 810,000 self-employed people. Small businesses are particularly important to immigrant New Yorkers who make up over 36% of the City population, 46% of the labor force, and 48% of all business owners. For purposes of this report, we consider small business loans as loans less than one million dollars to businesses with revenues of less than one million dollars. By this definition, small business lending increased 22% and the number of loans increased 25%, from $612 million (20,858 loans) in 2010 to $766 million (25,467 loans) in 2011. Lending in low- and moderate-income census tracts increased 13%, and the number of loans increased 28.6%, from $151 million (5,588 loans) in 2010 to $171 million (7,087 loans) in 2011. The dominant small business lenders – Chase, Citibank, Wells Fargo, Bank of America, HSBC, and Capital One – each make near or over 2,000 loans. All but Wells Fargo made over 25% of these loans in low- and moderate-income tracts.

RECOMMENDATIONS

1. Banks with distressed multifamily loans should implement a "First Look" program to transfer distressed properties to preservation-minded purchasers.

When loans are not responsibly underwritten and speculative underwriting or lending to bad-actor landlords has put the buildings and the surrounding community at risk of financial and physical distress, the bank has a special responsibility to deal with the distressed assets and undo the damage caused by the irresponsible loans. In these cases, the bank must use appropriate underwriting that values the loan and the building at its actual worth – based on actual income and maintenance costs, in addition to properly assessing a property's current physical condition – and deal with a responsible purchaser who will stabilize the affordable housing and the surrounding community.

In order to do this, ANHD has advocated strongly for banks to participate in a "First Look" program where the banks will make available to the City Department of Housing Preservation and Development (HPD) and ANHD their list of distressed mortgage debt and/or buildings that the bank is looking to dispose of. Through this program, the banks allow preservation purchasers a first look at these distressed assets during an exclusive time-limited period that respects the need of the bank to dispose of the assets in a timely, market-driven manner. This program, in its pilot form, has already proven a success for both the participating banks and the buildings that have been rescued.

ANHD and our members have also been working with HPD to fully establish a publicly-funded preservation transfer program to incentivize and assist this transfer of ownership to preservation-minded purchasers. Under New York City's new Preserving City Neighborhoods (PCN) program, the City publicly committed significant resources to the effort and has compiled a list of nonprofit and for-profit landlords with a history of preserving affordable housing which it will recommend for these deals. At the same time, HPD's affiliate, Neighborhood Restore, has been putting together the financing and structure for a note-sale facility that allows the City to work with preservation purchasers, especially nonprofits, to buy at-risk mortgage debt as well as foreclosed buildings. The infrastructure that HPD has put in place is an important start, but the approach has not yet reached the scale needed to transfer the many distressed buildings in the City to more responsible owners.

ANHD applauds the banks already participating in First Look programs and makes the following recommendations to the banks and the City:

- Banks with a multifamily portfolio should implement a First Look program to allow HPD and ANHD an opportunity to stabilize the housing by arranging a preservation-minded developer to begin a fair negotiation for distressed properties – based on actual income and expenses – in order to remove them from a speculative investment cycle. Nonprofit CDCs are mission-driven to preserve affordability and should be considered the first option for preservation deals wherever possible.

- New York City should fully fund PCN, the distressed-debt note-sale facility that is at the heart of the City's multifamily strategy.
- The City should allow this note-sale facility to quickly prove itself and move to operate at a significant scale in order to have an impact on the problem.

If implemented, these recommendations have the potential to preserve many thousands of units of affordable, rent-regulated housing. They would also go a long way towards rebuilding the image of banks as institutions committed to our local communities.

2. All banks should commit to increasing their percentage of local deposits committed to the full range of targeted, strategic reinvestment lending and investments that specifically benefit low- and moderate-income communities.

In light of increasing deposits and an ever-growing need for community development throughout New York City, ANHD is concerned that such a small percentage of deposits are dedicated to these investments. The total reinvestment activity in 2011 was $10.4 billion, which equals 1.36% of the $715 billion of local deposits. On average, the 24 banks reinvested 4.61% of their deposits; when the highest and lowest percentages are removed, that drops to 3.2%.

In ANHD's 2012 report, we suggested that all banks should reinvest at least 5% of their locally held deposits to activities that include community development loans, CRA-qualified investments, CRA-eligible grants, home purchase loans to LMI borrowers, and small business loans and multifamily loans in LMI census tracts. While this is still a worthwhile goal, in the 2013 report we are taking a more nuanced approach to the reinvestment goals.

Looking first at volume, a goal of 5% of deposits is still worthwhile and attainable for reinvestment. We must note that multifamily loans tend to be much larger in scale and can overshadow other reinvestment activities, especially in banks for which this is a key component of their business model. The majority of private affordable units are in rent-regulated buildings, making them extremely important to New York City residents, but they are not income restricted and there is no agreement to ensure the housing will remain affordable in the long term. Thus, it important, but not enough, to reach that 5% benchmark solely by making multifamily loans in lower-income tracts or even loans on units that are affordable to low- and moderate income renters if they aren't affordable in the long term.

The overall reinvestment quality score and its components demonstrate where banks are leading their peers, matching, or lagging. While not all banks do each type of lending and investments, every type should be done equitably and responsibly and banks should be striving to demonstrate leadership in one or more area. Reinvestment reaching 5% of local deposits would mean nearly $36 billion coming back to our communities, or $25 billion more than what is currently being reinvested. Among the Big Four banks alone, 5% equals $21 billion, or $17.5 billion above their current reinvestment level. Even smaller, more incremental increases would have a huge impact on the lower-income communities of New York City.

Philanthropy is the only activity for which a bank does not get a direct return on investment. Thus, it is a true statement of their values and commitment to New York City. ANHD believes that banks should commit more than their current average level of .02% of deposits. Even .05% of deposits would translate into $357 million to carry out the missions of hundreds of nonprofit CDCs, service agencies, and advocacy organizations dedicated to revitalizing and empowering vulnerable communities.

We make the following recommendations:

- Banks that already invest close to 5% of their deposits should take steps over the next year to reach or exceed that goal in a responsible manner. It might take more time for some banks to reach 5% of deposits, while others have already exceeded it, thus each bank should increase its reinvestment volume from year to year. Banks well below the 5% mark should take incremental steps and build up the infrastructure (staff and resources) within their institution to support larger deals that target the unique banking needs of New York City communities.

- While not all business models support every type of loan and investment, each bank should devote significant resources to CRA-eligible grants and affordable housing. Banks should do more deals with nonprofits, particularly nonprofit CDC's, and local community- based organizations in order to maximize the impact of their dollars, especially to build and preserve affordable housing that will remain deeply permanently affordable.

- Banks should aim for a quality score above a 3, demonstrating leadership in multiple areas of reinvestment. This represents a commitment to fair lending and to factors that have an impact beyond simply the dollar amount.

All banks can, and should, do more across the reinvestment spectrum, including the construction and maintenance of affordable housing, fair and consistent lending, and targeted generous philanthropy that supports a vibrant, healthy city and nonprofit sector.

3. Commit to the implementation of the Responsible Banking Act.

In 2012, the New York City Council passed Local Law 38, the Responsible Banking Act. While the law does not require banks or government to take any specific, pre-determined action, it gives the City and local communities the information they need to determine a baseline of neighborhood banking needs and evaluate how banks are engaging in community development and reinvestment at a local level so they can make more informed decisions about which banks might merit more or less City business. ANHD believes the 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 to do so on an ongoing basis.

ANHD urges all banks covered by the Responsible Banking Act to fully participate in its implementation. This includes meaningful engagement with the new Community Investment Advisory Board. We urge the banks to fully participate in the process through their banking industry representative on the Board and to respond in a complete and timely manner to requests for information. We also encourage these banks to continue engaging with ANHD and member institutions in this process so as 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.

4. 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. Conversely, the lack of a bank account is directly related to poverty. Yet, traditional banking accounts remain out of reach for many New Yorkers. New Yorkers need safe, affordable ways to access and manage their own money.

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

Every bank should offer a Safe, Affordable Bank Account:

- Low monthly maintenance or service fee ($3 or less) 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.
- 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 overdraft best practices on disclosure and limiting fees.
- The account must be advertised and promoted, available online, and understood and marketed by all branch staff so that any customer will have it readily available to them.

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

- Partner with the City and nonprofit agencies to provide high-quality financial counseling and education related to all aspects of banking and access to credit.
- Language access for people who don't speak English.
- Offer variable hours 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.

Conclusion

The Community Reinvestment Act is a powerful tool to bring banks together with government and the community to leverage public and private investments that generate wealth and stability to low- and moderate-income neighborhoods. However, as banks have consolidated and grown, and CRA assessments cover increasingly larger areas, the community and our government must work to ensure that the CRA remains effective and that banks are meeting the ongoing needs of these communities.

In order to meet this objective, it is the continued mission of ANHD and our member organizations to work to create and maintain safe, decent neighborhoods for New Yorkers across all five boroughs and of all income levels. This report shows signs of resurgence in some areas, particularly multifamily lending and small business lending, but given the amount of City money that flows through and to financial institutions as well as the business banks do with City residents and businesses, more must be done. Robust and consistent community development lending, investments, and services are critical to sustaining the strong, vibrant, diverse neighborhoods and people of New York City. These banks can and should be doing more to ensure that our communities thrive.

INTRODUCTION

This is the fourth edition of the State of Bank Reinvestment in New York City report from the Association for Neighborhood and Housing Development (ANHD) to help communities, legislators, and regulators understand the impact of the Community Reinvestment Act (CRA) at a very 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. Low-income is defined as 50% Area Median Income (AMI) and moderate-income as 80% AMI. The Area Median Income (AMI) in New York City is based on the incomes of New York City combined with wealthier counties in New York - Putnam, Westchester, and Rockland Counties - and Hudson and Passaic Counties in New Jersey. By this definition, the AMI was $67,400 in 2011, setting low-income at $33,700 and moderate-income at $53,920.

Following years of disinvestment and abandonment in New York City and nationwide during the 1970's, ANHD was part of the social movement 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. 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.

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. 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 the lifeblood of a healthy housing market and community. In return for this crucial and essential role that banks play, they have received significant taxpayer-backed public benefits, including cheap funds from the Federal Reserve discount window and the explicit government backing of deposits should the Federal Deposit Insurance Corporation (FDIC) lack sufficient resources in the Deposit Insurance Fund. The fundamental principle of the CRA is that in return for these very valuable and long-held publicly-backed benefits, 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 a decade and a half ago. The banking industry has undergone massive consolidation in the past decade, and is increasingly dominated by multi-regional 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 the banks do business. Simply put, the CRA requires banks to act locally, but report regionally, which makes accurate analysis difficult. Banks are typically evaluated by their CRA regulators at the Metropolitan Statistical Area (MSA) level and often in multiple MSA's. New York City is in the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA, which covers 24 counties in three states, from Ulster and Dutchess counties in upstate New York, down to Monmouth and Ocean Counties in New Jersey. They can also get credit for reinvestment activities at the state level even if they have no direct impact on their assessment area. Banks get CRA credit for loans and investments 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 and studies like this enable us to analyze what is happening in our City. Also, CRA evaluations span multi-year periods, with less frequent exams for small banks. It is important for bank regulators, legislators, and community organizations and residents to understand exactly where and how their federally-insured deposits and other 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 their peers, within their classifications as designated by their charters and the regulators: commercial, savings (also known as thrifts), and wholesale banks.

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 HMDA and CRA lending data for 1-4 family home loans to low- and moderate-income borrowers and multifamily and small business loans in low- and moderate-income census tracts.

As in previous years, we analyze year-to-year performance of these community development activities, as well as deposits, staffing, and branching. We are pleased that overall reinvestment increased between 2010 and 2011. The most notable was a two-fold increase in multifamily lending citywide and in lower-income neighborhoods. Lending to small businesses with revenues of less than one million dollars increased overall and in lower-income neighborhoods. However, 1-4 family lending decreased nearly across the board; the only area that did increase was in refinance loans to lower-income borrowers. We recognize that certain community development deals can take longer to close, as is often the case with the more complex impactful deals, thus we also analyze two-year trends. In fact, while community development lending and investments went down rather sharply this year, they increased when we compared two-year periods, showing a longer term increase over 2008 levels.

As always, we stress that quality matters as much as quantity in all reinvestment activity. This year, rather than one overall ranking, we created a more nuanced version of the reinvestment index 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.

The New York City Council passed the Responsible Banking Act in 2012 to encourage banks to be more accountable to the local credit needs of low- and moderate-income New Yorkers. Under this law, in order for a bank to be eligible to hold city deposits, it must disclose its CRA-related lending, investments, and services as well as reinvestment plans for the coming year. The public can then participate in an extensive public hearing process to comment on local credit needs and the banks' response data. As we prepare for this law to go into effect, we have new data showing which banks are doing the most business with the City. Given the amount of money flowing through financial institutions, ANHD believes the City should use its economic leverage to increase the commitment of these financial institutions to truly meet the needs of our local neighborhoods. The City should do more business with financial institutions that have a clear plan and track record of meeting the service, credit, and reinvestment needs of the City's diverse communities, and less business with ones that do not

The report discusses these 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 2010 and 2011 were included in trending analysis year to year. For this reason, there is some amount of data that banks provided for 2011 that is not used for year-over-year analysis since the same information was not provided in 2010. The same holds true for two-year comparisons that can only be done with banks that provided data all four years from 2008 to 2011. Appendix A details all information that we received from each institution.

This year, ANHD used 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 HMDA lending was retrieved from CRA Wiz. For most banks, data related to branching, staffing, multifamily lending, community development loans, CRA-qualified investments, and CRA-eligible grants came from ANHD's 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 an attempt to control for the wide variance in size and the various charter types, which are central to informing their respective business plans, ANHD groups these 24 institutions into three categories: Commercial, Savings, and Wholesale, based on how they are chartered. Historically, commercial and savings banks 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 the two have blurred and operate quite similarly in many areas.

We use the following terms as defined by the FFIEC and OCC:

1. Commercial Banks: A financial institution that is owned by stockholders, operates for a profit, and engages in various lending activities. These include:

> **National Bank:** A Commercial Bank whose charter is approved by the Office of the Comptroller of the Currency. National banks are required to be members of the Federal Reserve System.
>
> **State Member and Non-Member Banks:** This subset includes all state-chartered commercial banks. "Member" refers to whether or not they are members of the Federal Reserve System.

2. 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 Bank:** Banking institution organized to encourage thrift by paying interest dividends on savings. Savings banks can have state and federal affiliations.

Savings and Loan Association: A financial institution that accepts deposits primarily from individuals and channels its funds primarily into residential mortgage loans.

3. Wholesale Banks: A bank that is 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 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, including 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 and multifamily 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 – commercial, savings, 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 overall reinvestment score is the average of three separate scores, described in detail in the reinvestment index section of the report.

- Service and Responsiveness Score compares branching in low- and moderate-income census tracts, staffing in NYC, and responsiveness to the community
- 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.
- Core Consumer & Commercial Lending Score compares the percentage of loans to low- and moderate-income borrowers and in low- and moderate-income census tracts.

For more details, see the full methodology at the end of this report.

PART I

MAJOR FINDING #1

OVERALL REINVESTMENT VOLUME INDEX AND QUALITY SCORE: A NEW TOOL TO MEASURE AND COMPARE BOTH THE VOLUME AND QUALITY OF REINVESTMENT ACTIVITY IN NEW YORK CITY.

This year, rather than assigning one ranking to each bank, ANHD developed a more nuanced version of the reinvestment index as a 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 and rehabilitation of affordable housing.
- Community facilities such as healthcare clinics and community centers.
- Job creation, education, healthcare, and other efforts to revitalize neighborhoods.
- Grants to support nonprofits that engage in all areas of community development, including building and rehabilitating affordable housing and facilities, running community programs, and advocating for policy change.

Community Development Quality Score compares the percentages of these loans and investments to nonprofits, CDC's, and 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 HMDA and CRA loans:

- 1-4 family home purchase and refinance loans to low- and moderate-income borrowers.
- Multifamily housing mortgage loans in low- and moderate-income census tracts.
- 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 loans to low- and moderate-income borrowers and in low- and moderate-income neighborhoods.

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

In the previous report, ANHD introduced this overall reinvestment volume index (called simply, The Reinvestment Index) that compared the total amount of reinvestment dollars to local deposits. Using this metric, we see that reinvestment increased 28% in 2011, from $7.59 billion in 2010 to $9.69 billion in 2011. This is a valuable indication that credit is flowing to low- and moderate-income borrowers and neighborhoods. However, we believe a more nuanced approach is needed to evaluate the different categories of reinvestment. In fact, core consumer and commercial lending increased greatly due to a large increase in multifamily lending, while community development reinvestment decreased.

TABLE 9
CHANGE IN REINVESTMENT 2010-11 (BILLIONS)

	2010	2011	% Change
Overall Reinvestment Volume	$7.59	$9.69	27.66%
Community Development Reinvestment	$4.93	$3.50	-28.86%
Core Consumer & Commercial Lending Reinvestment	$2.66	$6.19	132.12%

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 the areas in which they do focus. And, 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, community development lending for affordable housing are loans that finance construction and rehabilitation, but are not permanent loans, such as to purchase or refinance multifamily apartment buildings. 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)

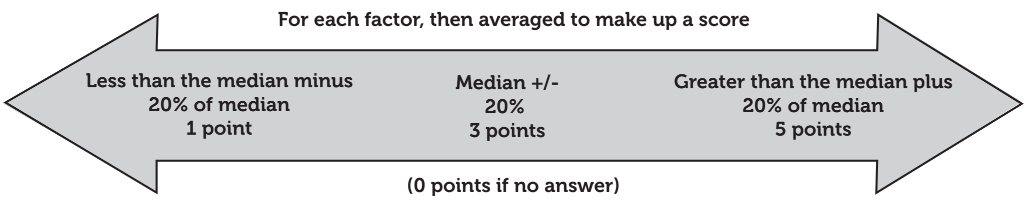
Community Development (CD) Reinvestment Index		Core Consumer & Commercial Lending Reinvestment Index
Community Development Lending, CRA-qualified investments, and CRA-eligible grants	+	Home purchase and refinance loans to LMI* borrowers, Multifamily & Small business loans in LMI tracts
÷		÷
Local deposits		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. 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 deeper affordability and ancillary services that go beyond housing to strengthen and empower families and communities. This method also enables us to compare service and responsiveness to lower-income communities where there isn't a dollar amount associated with it. 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 as that is captured in the reinvestment volume index. For each factor we assign points based on the median value of all banks within their respective classification – commercial, savings, 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 for a particular category. 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)

Community Development Score	Core Consumer & Commercial Lending Score	Service /Responsiveness 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	• %'s Home purchase & refinance loans to LMI borrowers • %'s Multifamily and small business loans in LMI tracts	• %'s Branches in low-income and LMI census tracts • % Staffing in New York City • Community responsiveness & innovation score



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 relates more closely 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 low- and moderate-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.

This new system gives us a way to separately evaluate who is leading in terms of volume of reinvestment and who is leading in how their loans, investments, and services are meeting the needs of low- and moderate-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".

TABLE 10

2011 OVERALL REINVESTMENT VOLUME INDEX AND QUALITY SCORE

Overall Reinvestment VOLUME Index Measures volume of reinvestment loans and investments to its locally held deposits		Overall Reinvestment QUALITY Score Measures how loans, investments, and services reach lower-income residents and neighborhoods	
	Overall Reinvestment Volume Index		Overall Reinvestment Quality Score
Commercial		Commercial	
Capital One	7.68%	Popular Community Bank†	3.6
Wells Fargo	6.68%	Capital One	3.36
M&T Bank	5.36%	Bank of America	3.22
Citibank	2.36%	Chase	3.06
Popular Community Bank†	2.19%	M&T Bank	2.94
TD Bank	1.41%	TD Bank	2.56
HSBC	0.56%	Citibank	2.53
Bank of America	0.49%	Wells Fargo	2.5
Chase	0.39%	HSBC	2.19
Signature*	12.35%	Signature	1.57
Valley National*	1.86%	Valley National	1.37
Savings		Savings	
New York Community Bank	41.01%	Carver	4.06
Carver	5.85%	Sovereign	2.94
Ridgewood	2.41%	New York Community Bank	2.89
Astoria	2.26%	Ridgewood	2.67
Apple	1.04%	Emigrant	2
Sovereign	0.59%	Astoria	1.85
Dime*	12.01%	Apple	1.58
Flushing*	1.43%	Dime	1.5
Emigrant*	0.38%	Flushing	1.5
Wholesale		Wholesale	
Morgan Stanley	3.32%	Morgan Stanley	3.08
Goldman Sachs	0.62%	Deutsche Bank	3
Deutsche Bank	0.20%	Goldman Sachs	2.83
Bank of New York Mellon*	0.16%	Bank of New York Mellon	0.5

† Banco Popular is now called Popular Community Bank
* Did not provide total community development loans, investments, and/or grants

When looking at the overall reinvestment volume index, the numbers are much higher in 2011 than they were in 2010, mainly due to the large increase in multifamily loans, which at some banks are relatively larger in volume than other loans and investments. This is particularly pronounced in banks like New York Community Bank, Dime, and Signature, but also in Capital One and Wells Fargo, especially given Wells Fargo's relatively small local deposit base. When looking at the community development reinvestment index, other institutions stand out. Citibank, M&T Bank, Signature, New York Community Bank, Carver, and Morgan Stanley reinvested the most of their locally held deposits for community development loans and investments, all over 2%, with M&T Bank over 3%. It must be noted, however, that Morgan Stanley reports only on the activities of Morgan Stanley Private Bank, whose deposit base is much lower than the larger subsidiary bank, Morgan Stanley N.A., and its peers. The remainder have community development indexes below 2%, with ten below 1%. Emigrant, Dime, and Flushing didn't provide community development loans and investments.

Capital One stands out for having both a high overall reinvestment volume index and one of the higher reinvestment quality scores. Their high reinvestment index is mostly due to a large volume of multifamily lending and their quality score reflects a strong commitment to fair lending across the spectrum. They also loan more for affordable housing and to nonprofit CDC's than their peers. Popular Community Bank has a lower reinvestment volume index, but a high quality score, which indicates they could be doing more in volume, but the activity they do is done well and equitably. They are especially known for their branch presence in lower-income neighborhoods and they are committed to making banking accessible to lower-income and immigrant New Yorkers. Deutsche Bank also stands out for the quality and intentionality of their approach to community development, which is truly sector-leading and has been a standard bearer for decades. Their Working Capital program, for example, provides invaluable grants and soft loans to organizations in the early stages of development. The fact that Deutsche Bank's programs have continued for many years demonstrates a strong commitment to community development in the City.

TABLE 11

2011 OVERALL REINVESTMENT VOLUME INDEX, BROKEN DOWN INTO COMMUNITY DEVELOPMENT REINVESTMENT AND CORE CONSUMER & COMMERCIAL LENDING REINVESTMENT

	NYC Deposits (billions)	Community Development Reinv. (millions)	Community Development Reinvestment Index	Core Consumer & Commercial Lending Reinv. (millions)	Core Consumer & Commercial Lending Reinvestment Index	Total Reinvestment volume (millions)	Overall Reinvestment Volume Index
Commercial							
Capital One	$19.62	$214.47	1.09%	$1,291.78	6.58%	$1,506.25	7.68%
Wells Fargo	$10.94	$139.79	1.28%	$590.94	5.40%	$730.73	6.68%
M&T Bank	$2.30	$77.49	3.37%	$45.61	1.99%	$123.10	5.36%
Citibank	$46.76	$1,007.26	2.15%	$97.46	0.21%	$1,104.72	2.36%
TD Bank	$11.11	$125.78	1.13%	$31.19	0.28%	$156.96	1.41%
Popular Community Bank	$2.86	$33.09	1.16%	$29.37	1.03%	$62.45	2.19%
HSBC	$47.39	$172.97	0.36%	$90.62	0.19%	$263.59	0.56%
Bank of America	$53.01	$198.10	0.37%	$62.64	0.12%	$260.74	0.49%
Chase	$317.86	$481.56	0.15%	$772.72	0.24%	$1,254.29	0.39%
Signature*	$8.05	$210.34	2.61%	$783.96	9.74%	$994.30	12.35%
Valley National*	$1.68	$22.29	1.33%	$8.94	0.53%	$31.23	1.86%
Savings							
New York Community Bank	$5.06	$144.75	2.86%	$1,930.43	38.15%	$2,075.18	41.01%
Carver	$0.51	$25.86	5.05%	$4.10	0.80%	$29.96	5.85%
Ridgewood	$2.56	$14.17	0.55%	$47.64	1.86%	$61.80	2.41%
Astoria	$3.97	$0.29	0.01%	$89.47	2.25%	$89.76	2.26%
Apple	$4.06	$12.33	0.30%	$30.03	0.74%	$42.36	1.04%
Sovereign	$7.33	$2.31	0.03%	$40.58	0.55%	$42.89	0.59%
Dime*	$1.88	-	-	$225.69	12.01%	$225.69	12.01%
Flushing*	$1.32	-	-	$18.90	1.43%	$18.90	1.43%
Emigrant*	$3.03	-	-	$11.59	0.38%	$11.59	0.38%
Wholesale							
Morgan Stanley	$6.61	$219.33	3.32%	Not Applicable		$219.33	3.32%
Goldman Sachs	$31.80	$196.09	0.62%			$196.09	0.62%
Deutsche Bank	$19.29	$38.60	0.20%			$38.60	0.20%
Bank of New York Mellon*	$105.64	$167.00	0.16%			$167.00	0.16%

*Did not provide one or more community development reinvestment expenditures

Chase, on the other hand, has a low reinvestment index, primarily because their deposit base is so large. They certainly have a large presence in New York City and nationwide, but they also book deposits here in New York City from businesses outside the City. Their quality score shows they are making loans relatively equitably to lower-income borrowers and neighborhoods. The majority of their community development loans and investments were for affordable housing and to nonprofits. They did not provide data on loans to CDC's or grants to neighborhood-based organizations, which further brought down their quality score.

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 one of the higher quality scores. A closer look at their quality score shows that their core consumer and commercial lending score is much lower than their other two scores. On a positive note, they have a fair branch presence overall in lower-income neighborhoods and made one of the higher percentages of community development loans to locally-controlled CDC's. However, they make one of the lower percentages of 1-4 family home loans to low- and moderate-income borrowers, and very few of their multifamily loans are in low- and moderate-income neighborhoods.

TABLE 12

OVERALL REINVESTMENT QUALITY SCORE AND ITS THREE COMPONENTS

	Service / Responsive -ness Score	Core Consumer & Commercial Lending Score	Community Development Score	Overall Reinvest-ment Quality Score
Commercial				
Popular Community Bank	4.5	4.5	1.8	3.6
Capital One	2	4.75	3.33	3.36
Bank of America	4	2	3.67	3.22
Chase	3	3.5	2.67	3.06
M&T Bank	3	2.5	3.33	2.94
TD Bank	2	2	3.67	2.56
Citibank	3	2.25	2.33	2.53
Wells Fargo	1.5	2	4	2.5
HSBC	1.5	2.75	2.33	2.19
Signature	1.5	3	0.2	1.57
Valley National	1.25	2.25	0.6	1.37
Savings				
Carver	4.5	5	2.67	4.06
Sovereign	2.5	4	2.33	2.94
New York Community Bank	1	4	3.67	2.89
Ridgewood	3	1.33	3.67	2.67
Emigrant	2	4	0	2
Astoria	1.5	2.25	1.8	1.85
Apple	2.75	1	1	1.58
Dime	1.5	3	0	1.5
Flushing	1.5	3	0	1.5
Wholesale				
Morgan Stanley	4	Not Applicable	2.17	3.08
Deutsche Bank	4		2	3
Goldman Sachs	2		3.67	2.83
Bank of New York Mellon	1		0	0.5

Of course, no one tool can capture every aspect of good community development. Citibank, for example, ranks very low in the community development quality score because a low percentage of their loans and investments were made to nonprofits or CDC's, on which we place a higher value. However, all of their community development loans were for affordable housing and we recognize that the deals they did in 2010 and 2011 were very complicated, innovative, and had a significant positive impact on low- and moderate-income communities. That being said, we would encourage them to find ways to make similar investments with nonprofit organizations and CDC's in particular to ensure that the affordable housing they are helping to build and preserve remains permanently affordable.

Among savings banks, New York Community Bank is the biggest multifamily lender in the City, which is clearly reflected in their very high reinvestment index, but their community development reinvestment index is also high relative to their peers. They rank 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 their community development staff are in the City, but we must acknowledge that they are in Long Island, which is not very far outside of the City, and they 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 their service quality score is a relatively low percentage of bank branches in low- and moderate-income neighborhoods. Their high community development score reflects the fact that nearly 85% of their grants went to neighborhood-based organizations. They 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 their 16%. Only Ridgewood exceeded that with 60% of their community development loans for affordable housing. Ridgewood's total score is slightly higher than New York Community Bank and would be higher if it weren't for their low core consumer and commercial lending score; very few of their home loans went to lower-income borrowers and 34% of multifamily were loans in lower-income neighborhoods, which is lower than their peers.

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, with clearer benchmarks to meet, while still allowing for the CRA's flexibility in the specific loans, investments, and services each bank provides.

MAJOR FINDING #2

WHERE THE CITY DOES BUSINESS WITH BANKS AND FINANCIAL INSTITUTIONS: AN ANALYSIS OF THE BANKS, SUBSIDIARIES, AND NON-BANK FINANCIAL INSTITUTIONS THAT HOLD CITY DEPOSITS; PROCESS CITY MONEY; AND MANAGE, INVEST AND ADVISE CITY TREASURY AND PENSION FUNDS

Financial institutions hold and manage billions of New York City's money. The City should do more business with banks that are committed to reinvesting in our low- and moderate-income communities.

In Fiscal Year 2012 New York City had $68 billion in revenue, $75 billion in expenses and issued over $13 billion in bonds. In that time, the five pension funds managed by the City paid out benefits totaling $11.5 billion and ended the year with $122 billion in assets. All of this money flows to and through financial institutions. This business is necessary to the operation of our city and is also very lucrative for these institutions. New York City should be using its economic leverage to ensure that banks seeking City business at all levels are truly committed to benefiting our city. ANHD believes that 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.

> “Tens of billions of dollars of City money flow through financial institutions. The City should do more business with banks that meet the credit needs of the City's lower-income residents and less business with those that do not.”

Over the past year, 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. We gathered data directly from the City and from financial reports produced by the New York City Comptroller. We also analyzed contracts and expenditures posted to the new Checkbook2.0 website designed by the Comptroller's office. We looked at contracts that began in the last 10 years that were still active in Fiscal Year 2013, meaning the contract ends during or after that fiscal year (FY 2013 is July 1, 2012 – June 30, 2013). 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** are purchases made through bank credit cards, typically for supplies and travel expenses. They are not fees to the banks, but they likely generate profits for banks 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.

TABLE 13

AVERAGE CITY TREASURY MONEY ON DEPOSIT IN FISCAL YEARS 2011 AND 2012 (EXCLUDING BANKING DEVELOPMENT DISTRICTS) DAILY CASH BALANCE: AVERAGES ROUGHLY $6 BILLION INCOME + REVENUE IN FISCAL YEAR 2012: $143 BILLION

	FY 2011	FY 2012
Bank of America	$22,743,508	$98,339,668
Citibank	$24,025	$34,293,196
Chase	$204,487,152	$179,805,904
Wells Fargo	$30,309,479	$99,888,960
Total	$257,564,164	$412,327,728

For the City's daily banking operations, 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. According to the Department of Finance, excluding banking development district deposits, the City treasury had an average of $412 million on deposit in the Big Four banks in Fiscal Year 2012. It is possible that some agencies have separate accounts for funding that comes from other sources, such as grants or programs, that aren't managed by the treasury. 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 currently holds the Central Treasury account, which was formerly held by Chase, while Chase still 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 $45 million annually in supplies and travel expenses through purchasing contracts with their credit cards.

TABLE 14

CONTRACTS ACTIVE IN FISCAL YEAR 2013 – CONTRACTS WITH ALL CITY AGENCIES EXCEPT THE OFFICE OF THE COMPTROLLER, WHICH ARE ANALYZED SEPARATELY†

	Department of Finance				Other Agencies (excluding Comptroller)			
	Amount	Spent To-date	Est. per year	Description	Amount	Spent To-Date	Est. per year	Description
Bank of America	$20,469,663	$17,705,437	$5,937,900	Lockbox & banking services	$1,517,261	$103,071,922	$31,057,789	Banking services & $102 million credit card purchases, not all fees
Citibank*	$16,794,947	$2,200,294	$5,246,167	Central treasury & banking; small travel contract	$13,917,032	$6,737,215	$6,053,306	Mainly credit card expenses for travel and lodging, not fees
Wells Fargo	$16,061,339	$2,364,878	$2,638,037	Lockbox & banking services				
Chase*	$8,146,366	$6,827,106	$1,811,958	Payroll & lockbox	$31,391,465	$23,462,600	$9,427,669	Mainly credit card expenses for DOE, not fees
Bank of NY Mellon	$636,362	$138,693	$127,202	Cleartran (online system)				
American Express	$12,687,626	$691,838	$2,536,135	Credit card payment & processing not all fees	$193,000	$43,796	$193,000	Credit card expenses, not fees
HSBC					$1,848,495	$1,032,885	$335,839	Banking services
Deutsche Bank					$1,502,524	$1,146,371	$751,262	Services to process checks

* "Other Agencies" category excludes a $15M contract with Citibank at DCAS for emergency lodging for hurricane sandy which had no expenditures to date and $22 million with Chase for a stored value card contract that ended in 2012 and had no expenditures.
† Data retrieved on July 7, 2013, one week after the end of the FY 2013 (ends June 30, 2013).

But, holding city deposits is only a small part of the business dealings with financial institutions. The City engages with these and many other financial institutions to manage the City treasury and pension assets and manage bond deals through underwriting, letters of credit, liquidity, reissuing and remarketing bonds, and advisory services.

To get a sense of this business, we analyzed the contracts registered with the Office of the Comptroller, including city-funded expense contracts and "Corpus Funded" revenue contracts that are paid for by pension funds. We look at the total contract amount, the amount spent to date, and the estimated amount spent per year in order to account for the fact that most contracts span multiple years. Because in interest rate swap transactions the fees are not as transparent, we list those contracts separately.

Two banks are particularly integral to the management and operation of the City: the Bank of New York Mellon and the Boston-based State Street Bank & Trust. The 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 from them. The Bank of New York Mellon is also the custodial agent for the New York City pension system. And, as mentioned above, State Street manages the short-term investment of City treasury funds. Table 15 lists the banks that have the largest contracts with the Office of the Comptroller, including these custodian accounts as well as the many city-funded contracts related to bond financing and pension services. Table 16 lists the banks with the largest pension-funded contracts to provide management and advisory services. These tables reflect bank holding companies with CRA-covered bank subsidiaries. The City contracts with many independent financial firms, such as Blackrock and T. Rowe Price, as well as some international banks with little or no branch presence in the U.S.

TABLE 15

ACTIVE CONTRACTS REGISTERED WITH THE OFFICE OF THE COMPTROLLER THAT BEGAN IN THE LAST 10 YEARS (ON OR AFTER JULY 1, 2003) AND END AFTER THE START OF FY 2013 (JULY 1, 2012) [TOP 15 CONTRACTS WITH BANKS & BANK HOLDING COMPANIES WITH BANKS THAT HAVE A CRA OBLIGATION]

	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		
	Total Amount	To-Date	Per Year	Total Amount	To-Date	Per Year
Bank of America	$70,548,833.22	$38,161,447.89	$6,553,546.48			
Bank of NY Mellon*	$53,633,758.45	$33,357,785.31	$8,944,090.26	$5,112,164.61		$313,077.20
Barclays	$26,557,703.00	$9,346,947.86	$3,308,050.24			
Chase	$25,416,431.48	$4,448,782.27	$1,247,338.55	$248,725,802.71	$6,613,236.26	$11,383,104.57
Citibank	$23,077,383.07	$5,688,540.30	$2,726,150.87			
Wells Fargo	$18,980,296.80	$5,001,909.56	$1,906,001.96	$254,587,823.53	$92,318,838.57	$9,070,234.81
Morgan Stanley	$17,202,748.05	$4,260,925.75	$1,948,665.67	$19,333,791.67	$6,173,611.92	$1,930,734.33
Goldman Sachs	$12,643,500.23	$3,085,112.83	$1,658,136.55			
Mizuho	$11,384,000.00	$4,509,417.27	$3,795,328.46			
Bank of Tokyo	$9,545,000.00	$6,202,631.05	$3,181,705.13			
HSBC	$8,899,096.48	$926,258.69	$317,049.31			
US Bank	$8,477,000.00	$3,154,452.53	$907,586.61	$13,729,922.60	$1,082,565.28	$1,782,155.67
TD Bank	$6,519,700.00	$2,653,984.54	$1,317,597.40			
PNC	$5,399,900.00	$855,348.20	$873,240.72			
State Street**	$4,223,015.00	$1,940,968.11	$1,407,794.64			

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

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 fund managers, that can be as much as 2-3% of the assets they manage. It is possible that some of those fees are not captured by registered contracts. Another example is bond underwriting fees. Senior managers and co-managers indicate the institutions that stand to benefit the most from bond underwriting and trading. In addition to independent non-bank firms, 11 banks are senior managers and senior 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.
- **Senior Co-Managers:** Morgan Stanley, Bank of America, Chase, Citibank, Wells Fargo, Goldman Sachs, PNC, RBC, TD Bank, US Bank.

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 2012, Bank of America ranked top in municipal underwriting of long-term debt, with 462 deals totaling $53 billion, followed by Chase, Citibank, and Morgan Stanley. In First Quarter 2013, Chase reported $905 million in underwriting fees and $255 million in advisory fees. While not all municipal debt, it demonstrates the fees underwriting can generate. Wells Fargo is also emerging as a new player in the investment banking business, which is reflected in their newer business dealings with the City.

Again, this business is necessary to the operation of our city, but it is also very lucrative for these institutions. As the City prepares to implement the new Responsible Banking Act, New York City should look beyond the certified deposit institutions to include 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 and curtail business with institutions that do not.

TABLE 16

PENSION-FUNDED CONTRACTS WITH CRA-COVERED INSTITUTIONS THAT WERE ACTIVE IN FY 2013. THESE ARE INVESTMENT AND ADVISORY SERVICES FUNDED BY THE PENSION SYSTEM, WHICH HAS $820 MILLION IN ACTIVE CONTRACTS (AVG. $287 PER YEAR) – MOST WITH NON-BANK FINANCIAL INSTITUTIONS NOT LISTED HERE.

	Total Amount	Average per year
State Street	$25,187,000	$8,458,484
Morgan Stanley	$11,725,000	$4,022,203
Goldman Sachs	$4,976,000	$1,660,182
GE Asset Management	$3,985,000	$1,328,333
Wells Fargo	$2,248,000	$795,077
Chase	$1,200,000	$295,347
Amalgamated	$415,000	$138,459

THE RESPONSIBLE BANKING ACT

In fiscal year 2012, the City had $68 billion in revenue, $75 billion in expenses, and issued over $13 billion in bonds. The pension funds paid out over $11.5 billion dollars that year and ended the year with $122 billion in assets. All of this money flows through financial institutions, providing essential services to our city, while at the same time generating significant profits for these institutions.

New York City should use its economic leverage to ensure that banks seeking City business at all levels are truly committed to benefiting our city with specific policies of reinvestment. ANHD believes that 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 institutions that do not. New York City's new Responsible Banking Act passed in 2012 puts this into practice by evaluating bank reinvesment when deciding which banks can hold city deposits.

The law creates a Community Investment Advisory Board comprised of government, community, small business, and banking representatives. The Board will conduct an extensive assessment every two years of the banking and credit needs of New York City residents and neighborhoods, based upon public data and hearings. Banks seeking to hold city deposits will then submit to the Board their local reinvestment data and their plans for how they will respond to the City's needs.

Through public hearings, the community will have the opportunity to contribute to the needs assessment and comment on the banks' responses to those needs, which will ultimately guide the Community Investment Advisory Board's final recommendations. Such a transparent, community-focused process will benefit everyone by identifying local needs, assessing the banks' responses to those needs – best practices and areas to improve – and ultimately raising the bar for reinvestment citywide as each bank takes concrete steps to respond to problems and address city needs.

[1] http://www.bondbuyer.com/issues/121_184/commercial-banks-have-been-increasing-their-muni-bond-holdings-1044231-1.html
[2] http://files.shareholder.com/downloads/ONE/2537857441x0x653086/e100ccf8-b4d8-4e18-a23e-d6e820326f83/JPM_1Q13_EPR_FINAL.pdf
[3] http://www.thestreet.com/story/11894450/1/wells-fargo-earnings-helped-by-buffett-buyout-business.html

BANK HOLDING COMPANIES AND THEIR SUBSIDIARIES USED IN THIS ANALYSIS (OTHER BANKS INCLUDED HAD ONE ENTITY LISTED)

JPMorgan Chase: JP Morgan Chase Bank Bear Stearns Financial Products JP Morgan Securities INC JP Morgan Securities LLC Bear Stearns & Company	**Morgan Stanley** Morgan Stanley Bank NA Morgan Stanley and Co Morgan Stanley Capital Service Inc Morgan Guaranty Trust Co. of New York Morgan Stanley Investment Management Inc Smith Barney Inc	**Bank of America** Bank of America NA Merrill Lynch Capital Services Inc Merrill Lynch, Pierce, Fenner & Smith Inc Banc of America Securities, LLC FIA Card Services NA	**Wells Fargo** Wells Fargo Bank, NA Wachovia Bank, NA Wachovia Securities LLC Wells Capital Management Inc
Bank of New York Mellon The Bank of New York Mellon BNY Mellon Capital Markets LLC Mellon Capital Management Corp	**Citigroup** Citibank, NA Citigroup Global Markets Inc Citibank (SD), NA	**TD Bank** TD Bank NA Toronto-Dominion Bank TD Holdings II Inc	**Goldman Sachs** Goldman Sachs Goldman Sachs Asset Management LP

MAJOR FINDING #3

THE "BIG FOUR" BANKS COLLECTIVELY DO NOT PULL THEIR WEIGHT: CHASE, CITIBANK, BANK OF AMERICA, AND WELLS FARGO HAVE 60% OF THE LOCAL DEPOSITS AND ACCOUNT FOR ONLY 35% OF THE VOLUME OF REINVESTMENT.

Nationwide, the "Big Four" banks – Chase, Citibank, Bank of America, and Wells Fargo – dominate the retail banking industry. According to the FDIC, they held over one-third (34%) of all FDIC-insured savings and commercial bank deposits in the U.S. in 2011. They hold twice as large a share (60%) of local New York City bank deposits when compared to the other banks covered by this report. These four banks also receive a large amount of business from the City of New York. Aside from the Banking Development Districts, they hold all City treasury deposits, with an average balance of $412 million. But, this is only a fraction of the City's money; New York City has revenues and expenses totaling over $140 billion per year and averages close to $6 billion in cash balances, much of which is held at State Street and then passes through these banks for day-to-day operations. These banks and their subsidiaries also do considerable business with the City related to bond financing and pension services.

Given their size and importance in the U.S. economy, their large share of the New York City market, and their importance to the business of the City of New York, we continue to examine their role in reinvestment activity in the City separately.

The New York City deposit base of the Big Four banks increased 20% between June 2010 and 2011, from $360 billion to $428 billion. Among banks in this study, collectively they hold 60% of New York City deposits and 82% of the commercial bank deposits. They operate 47% of the branches, and 59% of the branches in low-income neighborhoods, thus potentially serving a huge percentage of New Yorkers.

The Big Four banks accounted for only 34.5% of all the reinvestment activity reported. While this represents a large amount of money, it is well below their share of deposits. Within the reinvestment categories, there are variations in activity. On the low end of the spectrum, they account for only 20% of the multifamily lending in low- and moderate-income tracts but this is significantly higher than the 8% they accounted for in 2010.

Nonprofit organizations rely on a variety of funding sources to carry out their missions to serve, strengthen, and empower at-risk communities. Grants provide critical dollars that support the creation of affordable housing and the provision of services to local residents. With over 60% of the local deposit base, we would expect these banks to provide close to that share of philanthropy, yet they accounted for only 40% of the CRA-eligible grants in the City. We were pleased that, on average, over 60% of this giving went to neighborhood-based organizations (NBO's). Chase did not report in on grants to NBO's.

The four banks did closer to their share in community development lending and CRA-qualified investments. They accounted for 50% of all community development lending and 57.5% of CRA-qualified investments. Variations surface within those categories, however. For example, while they accounted for 54% of the community development lending to nonprofits, they made just 38% of the loans to CDC's (Chase did not report in this category). They accounted for 62% of CRA-qualified investments with nonprofit sponsors. They account for 74% of the community development lending for affordable housing and 56% of LIHTC investments. The community development lending was again largely driven by Citibank, which loaned over $719 million, well above Chase's $328 million. Bank of America loaned the most to CDCs, totaling over half of their community development lending.

TABLE 17

"BIG FOUR" BANKS SHARE OF REINVESTMENT LENDING AND INVESTMENTS 2011 (MILLIONS)

	All Banks	Big Four		"Fair Share"
	Total	Total	% of total	60%
NYC Deposits	$714.64	$428.58	60%	
Multifamily Lending in LMI* tracts (#)	1,582	245	15.49%	949
Multifamily Lending in LMI tracts ($)	$5,575.85	$1,091.81	19.58%	$3,343.91
Community Development Lending (in $)	$2,357.32	$1,180.24	50.07%	$1,413.71
Small Business Loans in LMI tracts (#)	7,239	3,813	52.67%	4341
Small Business Loans in LMI tracts ($)	$188.98	$70.98	37.56%	$113.34
CRA-qualified Investments ($)	$1,072.48	$616.71	57.50%	$643.18
Home purchase loans to LMI borrowers (#)	1,500	1,180	78.67%	900
Home purchase loans to LMI borrowers ($)	$217.36	$168.37	77.46%	$130.35
Refinance Loans to LMI borrowers (#)	1,545	1,320	85.44%	927
Refinance Loans to LMI borrowers ($)	$221.45	$192.61	86.98%	$132.81
CRA-eligible grants in NYC (#)	1,475	433	29.36%	885
CRA-eligible grants in NYC ($m)	$74.06	$29.76	40.18%	$44.41
Total Reinvestment	$9,707.51	$3,350.47	34.51%	$5,821.71
*LMI = low- and moderate-income				

The Big Four banks dominate much of the home purchase and small business lending in New York City, but HSBC and Capital One also originate many small business loans and HSBC makes a large number of 1-4 family mortgages in the City. The Big Four banks originated over 53% of the small business loans (to businesses with less than $1M in revenue) in low- and moderate-income neighborhoods and 38% of the amount loaned. Of the Big Four banks, Chase loaned the most amount of money to these small businesses and, given that they and other banks don't capture revenue size of many loans made with their credit card division, the amount may be higher. HSBC loaned more than any of the Big Four banks to small businesses. The Big Four banks averaged just over 20% of their small business lending in lower-income tracts. Strictly looking at lending to the smallest of businesses where revenue was taken into account, likely representing more traditional loans, they loaned $327 million, with $71 million in lower-income tracts. Looking at all small dollar loans to businesses of any size, or where revenue wasn't recorded, they loaned $333 million in low- and moderate-income census tracts, accounting for 47% of all lending, still below their fair share. If they were to reach their fair share of lending to small businesses with revenues below $1 million, that would increase to nearly $500 million overall and $114 million in lower-income neighborhoods, giving new and existing small businesses more access to capital to grow and thrive. In our study, the Big Four accounted for 82% of all home purchase loans and 79% of loans to low- and moderate-income borrowers – 85% for refinance loans. Of these, Wells Fargo loaned the most money to lower-income borrowers for home purchase loans and Chase for refinance loans. Being the largest lenders, these banks have a particular obligation to ensure that both low- and moderate-income borrowers and people of color have equal access to loans. It is thus concerning to see the racial disparities in all four banks. Blacks and Latinos make up 25% and 28% of the NYC population, respectively, with homeownership rates of 26% and 15% respectively. Yet, they average fewer than 8% each of their home purchase loans to Black and Latino borrowers.

These four banks have a large stake in the future of New York City and they are clearly increasing their market share in our city. It is a core principle of the CRA that banks must reinvest in the local communities in which they do business. The Big Four collectively reinvested 0.78% (and averaged 2.48%) of their deposits on these critical investments and loans in 2011. If they were to invest their fair share of 60% of reinvestment activity, their reinvestment dollars would rise to $5.8 billion or 1.36% of their deposits and $2.5 billion more than their current level of reinvestment. Even this "fair share" is a small percentage of their deposits overall and, of course, if they did reach their fair share, it would mean other banks would be investing less in those areas, which is why a key recommendation remains that all banks devote more to reinvestment each year. Such increases would have a large impact on the City's low- and moderate-income residents and neighborhoods by helping to launch and expand hundreds of new and existing small businesses; finance much-needed affordable housing; put people in new homes, and support myriad economic development projects citywide.

PART II

DETAILED ANALYSIS OF BANK REINVESTMENT

LOCAL DEPOSITS

- **Locally held deposits increased 22% and, while reinvestment increased more than that overall, it didn't keep pace in all areas.**
- **Community development lending & investments, philanthropy, and 1-4 family home lending each decreased or increased less than 22%.**

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.

Regulators use a combination of deposits 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, Wells Fargo has a relatively low deposit base locally because of their small branch presence, yet they are the third largest deposit holder in the nation. They also dominate the home lending market, accounting for nearly a quarter of all home purchase loans in the City. By our measure, they have 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 they book business deposits here that come from outside the City and State. However, 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 they hold and the business they do with the City and its residents, they 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 increased significantly. Among all 24 banks in our study this year, deposits went up 22%, from $584 billion in 2010 to $714.6 billion in 2011. That is more than double the 9.6% increase from June 30th 2009 to 2010. Eight of the 11 commercial banks increased their deposits, with Signature, HSBC, and Chase increasing the most. Only three savings banks increased; most of the others decreased modestly, but Astoria was down 7.6% and Flushing and Carver's decreased by over 16%. Of the Big banks, only Citibank's deposits decreased and only by about 4%, but their national deposits increased by 24%. Sovereign's deposits increased 17%. Sovereign is classified here as a Savings bank, but is now owned by Santander and officially changed to a Commercial bank in 2012, which will be reflected in the next report.

TABLE 18

CHANGE IN DEPOSITS 2010–11 (BILLIONS)

	Total (24 banks)			Commercial (11)			Savings (9)			Wholesale (4)		
	2010	2011	% change	2010	2011	% change	2010	2011	% change	2010	2011	% change
National Deposits	$3,081.99	$3,511.21	13.93%	$2,810.66	$3,187.12	13.39%	$104.36	$108.83	4.28%	$166.97	$215.25	28.92%
Profits to bank	$48.04	$54.41	13.25%	$43.20	$49.72	15.10%	$1.50	$1.05	-30.29%	$3.34	$3.64	8.93%
NYC Deposits	$584.51	$714.64	22.26%	$437.26	$521.58	19.28%	$29.45	$29.73	0.95%	$117.80	$163.33	38.64%

All four wholesale banks increased their deposit base, with Bank of New York Mellon making the biggest increase from 2010, followed by Deutsche Bank. It must be noted that Morgan Stanley only reports on the CRA activities of Morgan Stanley Private Bank, which has a much smaller deposit base than Morgan Stanley, NA. Despite being technically a retail bank, they operate like a wholesale bank and it is our understanding that they are making arrangements to be evaluated as such by the OCC at the time of their first exam.

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.

In 2011, profits attributable to the 24 banks increased more modestly this year by 14%, from $48 billion to $54.4 billion. Unlike in 2010, however, 10 banks' profits were less in 2011 than in 2010, the most significant among Signature and HSBC. However, this is only profits for the CRA-covered bank, which for some institutions is a significant piece of their business, but for others, their business is more expansive. This is especially so for the wholesale banks and national commercial banks, which generate profits from other lines of business, including credit cards, investment banking, and other services. All of the Big Four banks turned a profit, with Citibank increasing the most by 33% ($10.5 billion, up from $7.9 billion) followed by Wells Fargo whose profits increased 22% ($13 billion, up from $10 billion in 2010).

With this context in mind, we would expect to see community reinvestment activities up overall, with the majority of the increases by commercial and wholesale banks, representing their larger growth and share of New York City deposits. We are pleased that reinvestment is in fact increasing, 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

- **Multifamily Lending more than doubled in 2011 overall and in low- and moderate-income neighborhoods.**
- **Indicators of distressed multifamily housing seem to have decreased, but overleveraged and speculative loans still pose a threat to affordable housing and stable neighborhoods.**

Multifamily apartment buildings are a critical source of housing for the nearly two-thirds of New Yorkers who rent their homes, and especially important for lower-income residents who need access to stable, affordable housing. Yet, our city is losing affordable housing at a rapid pace. Private rent-regulated housing remains one of the most important sources of affordable housing in the City where median rents are considerably lower than market-rate units. As of 2011, New York City had 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 38% market rate.[4] From 2008 to 2011, New York City experienced a net loss of over 116,600 rental units affordable to families earning up to 80% Area Median Income ($51,360, but more or less depending on family size) and about 36,400 of rent-regulated housing.[5] Certain neighborhoods had very little affordable housing to begin with.

Two-thirds of New Yorkers rent their homes and over 50% of renters live in rent-regulated buildings.

Multifamily lending more than doubled in 2011. Lending must be done responsibly to preserve affordability and protect tenant rights.

Multifamily lending more than doubled in 2011; the 20 retail banks in this study made 2,568 loans for $10.9 billion in 2011, up from 1,186 loans ($4.7 billion) in 2010. In lower-income tracts, lending increased to 1,582 loans ($5.6 billion) in 2011, from 788 loans ($2.1 billion) in 2010. Access to credit is critical to maintaining the affordable rent-regulated housing in the City. ANHD was formed in the 1970's when the City was suffering the consequences of severe disinvestment, when banks refused to invest in lower-income 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.

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 forced to move out and be 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

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

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 resulted in the widespread harassment and eviction of low-income tenants.

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.

TABLE 19

HIGHEST PERCENTAGE OF MULTIFAMILY LENDING IN LOW- AND MODERATE-INCOME (LMI) TRACTS 2011 (MILLIONS)

	% loans LMI (#)	# loans in LMI tracts	% Change loans 2010-11	% loans in LMI tracts ($)	Loans in LMI tracts ($)	% Change lending 2010-11	Total Loans #	Total Loans ($)
Commercial								
Signature	71.27%	263	62.35%	63.42%	$774.63	112.91%	369	$1,221.39
Capital One	67.60%	315	284.15%	64.45%	$1,275.90	508.15%	466	$1,979.70
Chase	57.73%	198	607.14%	52.47%	$605.00	957.90%	343	$1,153.00
Wells Fargo	53.85%	14	366.67%	60.70%	$470.20	2125.15%	26	$774.65
Popular Community Bank	50.00%	6	500%	79.76%	$28.18	767.14%	12	$35.33
Savings								
Carver	100.00%	3	0.00%	100.00%	$1.68	-53.95%	3	$1.68
Flushing	71.19%	42	-52.81%	68.42%	$18.78	-80.70%	59	$27.44
NY Community Bank	53.50%	512	69.54%	39.03%	$1,910.08	90.33%	957	$4,893.33
Ridgewood	48.57%	34	750%	32.08%	$47.00	1947.93%	70	$146.50
Emigrant	42.86%	15	15.38%	36.96%	$6.21	34.97%	35	$16.80

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, as the market heats up again, we know that destructive lending could return. One significant threat is with nonbank institutions that are not covered by the CRA or HMDA. But, when any bad actors enter or reenter the market, they can negatively influence all lenders.

In 2011, the larger multifamily lenders like New York Community Bank, Signature, and Dime were still active. Ridgewood and Astoria have long histories of multifamily lending and made the biggest increases. Astoria reentered the market in mid-2011 after halting their lending for a few years and Ridgewood increased considerably over 2010 levels.

Capital One and Chase are also reemerging in this market. Capital One originated 466 loans, with 315 in lower-income tracts, second only in volume to New York Community Bank. We note that the larger lenders like Signature, Capital One, New York Community Bank, Chase and Dime each made more than half of their multifamily loans in low- and moderate-income census tracts.

This year, we also inquired about multifamily loans for which banks seek CRA credit as a community development loan. These are typically buildings where over 50% of the units are affordable to lower-income tenants, but sometimes they get CRA credit if the building otherwise contributes to neighborhood stabilization. The quality of these loans is especially important given their community development purpose. The New York State Department of Financial Services has recently taken an important step by stating that 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.

> "The NY State Department of Financial Services says loans that lead to harassment, 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 that threatens this housing thus results in a permanent loss of affordability and tenant protections.

While the best information is first-hand stories from tenants, other data identify buildings where conditions might warrant a closer look. One source is the Building Indicator Project (BIP), developed by the University Neighborhood Housing Program. The BIP database lists every multifamily building in the City and the

TABLE 20

PERCENTAGE OF COMMUNITY DEVELOPMENT (CD) MULTIFAMILY (MF) LOANS AMONG BANKS THAT REPORTED (2011)

	% CD (#)	MF CD #	% CD ($)	MF CD $	MF LMI $	MF LMI #	MF $	MF #
Commercial								
Signature	54.20%	200	36.93%	$451.03	$774.63	263	$1,221.39	369
TD Bank	50.00%	4	26.26%	$7.53	$19.14	4	$28.66	8
Popular Community Bank	33.33%	4	27.34%	$9.66	$28.18	6	$35.33	12
Wells Fargo	19.23%	5	8.90%	$68.97	$470.20	14	$774.65	26
Capital One	7.30%	34	16.55%	$327.67	$1,275.90	315	$1,979.70	466
M&T Bank	5.45%	3	1.40%	$8.19	$38.32	12	$586.28	55
Chase	3.79%	13	2.25%	$26.00	$605.00	198	$1,153.00	343
Bank of America	2.27%	3	22.67%	$18.20	$16.60	33	$80.30	132
HSBC	0.00%	0	0.00%	$0.00	$0.00	0	$9.50	3
Savings								
NY Community Bank	53.50%	512	39.03%	$1,910.08	$1,910.08	512	$4,893.33	957
Ridgewood Savings	42.86%	30	29.69%	$43.50	$47.00	34	$146.50	70
Emigrant	40.00%	14	36.67%	$6.16	$6.21	15	$16.80	35
Astoria	37.04%	20	42.61%	$84.38	$84.38	20	$198.00	54
Apple Bank	25.93%	14	21.43%	$37.50	$30.00	12	$175.00	54
Carver	0.00%	0	0.00%	$0.00	$1.68	3	$1.68	3

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. Table 19 shows the portfolios of the lenders in this study, including Commercial Mortgage Backed Securities (CMBS) managed by the banks, but not held in portfolio – they are securitized to be bought and sold on the secondary market.

We find it useful to look at both the at-risk buildings and units in a bank's portfolio. Together, they give a picture of the number of buildings at risk and also the number of 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. Among commercial banks, Valley National and Wells Fargo have the highest percentage of buildings at risk of distress, but for Wells Fargo that is less than 1% of its units, indicating smaller buildings. Valley National, Signature, and Citibank have the highest percentages of units in at-risk buildings. Flushing has one of the highest percentages of both buildings and units likely in distress. New York Community Bank has just 38 buildings (1% of their portfolio) at risk of distress. These 38 buildings include over 1,000 units, however, and shouldn't be dismissed. Likewise for Capital One and Chase, fewer than 2% of their buildings are at risk of distress, but that totals over 1,100 units each.

TABLE 21

BIP DATABASE APRIL 2013: BUILDINGS AND TOTAL UNITS IN THOSE BUILDINGS 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
Commercial						
Valley National	193	5,985	15	7.77%	160	2.67%
Wells Fargo	458	29,583	30	6.55%	228	0.77%
M&T Bank	575	18,051	17	2.96%	203	1.12%
Citibank	286	7,370	7	2.45%	190	2.58%
Bank of America	411	13,487	10	2.43%	279	2.07%
CMBS, Wells Fargo	391	18,391	9	2.30%	185	1.01%
Capital One	2,544	69,948	50	1.97%	1,132	1.62%
Chase	2,970	72,288	53	1.78%	1,265	1.75%
Popular Community Bank	116	2,325	2	1.72%	28	1.20%
Signature	1,229	35,885	17	1.38%	794	2.21%
HSBC	429	13,627	5	1.17%	29	0.21%
CMBS, Chase	99	7,775	1	1.01%	84	1.08%
CMBS, Bank of America	283	15,391	2	0.71%	161	1.05%
Santander/ Sovereign	1,841	72,656	10	0.54%	302	0.42%
TD Bank	133	3,903	0	0.00%	0	0.00%
Savings						
Flushing Savings	1,565	21,277	36	2.30%	522	2.45%
Astoria	1,252	32,302	14	1.12%	261	0.81%
NY Community Bank	3,814	166,288	38	1.00%	1,006	0.60%
Apple Bank	320	18,401	3	0.94%	462	2.51%
Ridgewood	335	5,258	3	0.90%	43	0.82%
Emigrant	569	6,423	5	0.88%	65	1.01%
Dime	1,396	37,694	8	0.57%	182	0.48%
Wholesale						
CMBS, Deutsche Bank	40	8,453	3	7.50%	17	0.20%
Deutsche Bank	223	13,596	10	4.48%	153	1.13%
Bank of NY Mellon	228	10,694	5	2.19%	173	1.62%
Goldman Sachs	6	696	0	0.00%	0	0.00%

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. That being said, other trends are worth noting as well. Another indicator of buildings that may be in physical distress is 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 April 2013, 24% 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 1.6%. Capital One and Chase each have 20% of their buildings with a 1.5:1 ratio of total violations to units, representing over 18,000 units of housing, which drops to 1.8% when looking only at the previous year. Relative to its peers and all banks in this study, Flushing has the highest percentage of buildings likely in distress by any measure with 26% of its buildings overall and close to 3% of buildings with recently-issued violations. New York Community Bank performs well compared to its peers, but even the small percentage of units potentially impacts many people. 14% of their buildings are at risk when looking at all violations over time, representing over 14,000 units of housing; that drops to 1,046 units when looking at violations issued in the previous year.

TABLE 22

PERCENTAGE OF BUILDINGS/UNITS WITH A 1.5:1 VIOLATION COUNT PER UNIT: VIOLATIONS FILED ON ALL BUILDINGS AND VIOLATIONS FILED IN THE PREVIOUS YEAR (APRIL 2013 BIP)

	1.5:1 violations per unit				Prev. Year 1.5:1 violations			
	# Bldgs	% bldgs	# units	% units	# Bldgs	% bldgs	# units	% units
Commercial								
Signature	299	24.33%	6,516	18.16%	20	1.63%	302	0.84%
Wells Fargo	109	23.80%	907	3.07%	16	3.49%	130	0.44%
M&T Bank	124	21.57%	1,507	8.35%	11	1.91%	81	0.45%
Valley National	40	20.73%	322	5.38%	6	3.11%	40	0.67%
Citibank	59	20.63%	665	9.02%	2	0.70%	11	0.15%
Chase	596	20.07%	8,666	11.99%	54	1.82%	791	1.09%
Capital One	507	19.93%	9,597	13.72%	47	1.85%	700	1.00%
HSBC	83	19.35%	743	5.45%	7	1.63%	43	0.32%
Popular Community Bank	22	18.97%	387	16.65%	4	3.45%	30	1.29%
Bank of America	68	16.55%	953	7.07%	1	0.24%	8	0.06%
Sovereign	269	14.61%	6,396	8.80%	17	0.92%	231	0.32%
TD Bank	17	12.78%	157	4.02%	1	0.75%	8	0.20%
CMBS, Wells Fargo	40	10.23%	765	4.16%	3	0.77%	37	0.20%
CMBS, Bank of America	23	8.13%	624	4.05%	0	0.00%	0	0.00%
CMBS, Chase	6	6.06%	35	0.45%	1	1.01%	6	0.08%
Savings								
Flushing	410	26.20%	4,501	21.15%	42	2.68%	414	1.95%
Ridgewood	64	19.10%	1,007	19.15%	2	0.60%	37	0.70%
Astoria	234	18.69%	3,051	9.45%	21	1.68%	265	0.82%
Emigrant	95	16.70%	861	13.40%	8	1.41%	53	0.83%
Dime	207	14.83%	3,671	9.74%	5	0.36%	76	0.20%
NY Community Bank	526	13.79%	14,107	8.48%	45	1.18%	1046	0.63%
Apple Bank	18	5.63%	259	1.41%	1	0.31%	16	0.09%
Wholesale								
CMBS, BNY Mellon	25	44.64%	516	44.64%	0	0.00%	0	0.00%
Goldman Sachs	2	33.33%	23	3.30%	1	16.67%	7	1.01%
CMBS, Deutsche Bank	12	30.00%	67	0.79%	1	2.50%	6	0.07%
Deutsche Bank	44	19.73%	755	5.55%	5	2.24%	79	0.58%
BNY Mellon	29	12.72%	419	3.92%	1	0.44%	6	0.06%

Finally, it must be said that no public data exists to indicate an overleveraged building that hasn't yet fallen into distress, which is one of the most serious threats that we seek to avoid. 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.

The successful preservation of a set of distressed, overleveraged buildings in the Bronx is a powerful example of what the First Look Program can accomplish. Community organizers from CASA/New Settlement Apartments had been working with tenants in these buildings and consulted with ANHD and HPD to identify a solution. CASA and ANHD worked closely with the lender, New York Community Bank. We also worked with HPD, and the City's new Preserving City Neighborhoods (PCN) program to replace their bad landlord with a community-based nonprofit developer, Banana Kelly Community Improvement Association, to purchase the buildings. The buildings went from being an unstable community problem to a long-term community asset. This shows what is possible when responsible lenders collaborate with community organizations and government. PCN must be brought to scale to transfer more distressed buildings to owners that will fix them, maintain them, and preserve affordability for the long term.

FIRST LOOK PROGRAM
A WIN-WIN FOR TENANTS & BANK

Struggles between bad landlords and long-suffering tenants are common in our city, sometimes resulting in building improvements or rent adjustments, sometimes not. But rarely do they result in a long-term solution. This is exactly what happened in a set of distressed buildings on College Ave in the Bronx that are now owned by the community-based nonprofit developer, Banana Kelly Community Improvement Association.

This was only possible through the First Look Program developed by ANHD, HPD, and the City Council leadership. First, community organizers from CASA/New Settlement Apartments worked with the tenants to document and bring attention to the problems in the buildings. Then, they approached the lender of record, New York Community Bank, to work with them and the City to find a more permanent solution, which included working with the Preserving City Neighborhoods (PCN) program to help facilitate the transfer of the building to Banana Kelly.

Since the start of the financial crisis, ANHD has been very concerned that overleveraged apartment buildings - in trouble because they were bought by developers who were speculating that they could quickly (and often illegally) raise the regulated rents or hold operating costs artificially low - were being sold by the banks who held the mortgages to a new round of speculative developers who were doubling-down on the strategy.

Starting in 2011, using high-profile media cases as examples, ANHD and our allies began approaching local banks to ask them to consider an alternative approach. Instead of struggling with the community in building after building, we asked the banks to consider agreeing to ANHD's First Look Program in which the bank would give a community-minded developer recommended by ANHD and HPD an early and exclusive opportunity to buy foreclosed rent stabilized apartment buildings or the distressed mortgages on those buildings. In return for the First Look opportunity, ANHD and our groups promised an orderly process that is sensitive to the private-market timetable that the banks need.

Three major lenders have already agreed to participate in an ongoing First Look program, and hundreds of at-risk affordable housing units have been refinanced with community-minded developers and saved. ANHD believes that this program - brought to scale with an expanded HPD/PCN infrastructure - can be an important new source of stable, decent, affordable housing for our city

BANK BRANCHING AND PRODUCTS

- **The number of branches remained stable, increasing only slightly overall and in low- and moderate-income neighborhoods, but basic bank accounts may not be affordable or accessible to many New Yorkers.**

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 long and hard to get banks to simply open branches in low-income communities, which went a long way towards increasing access to banking and credit. Today, CRA exams continue to focus almost exclusively on the number of branches opened 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.

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 payday lenders and check cashers.[6]

However, branching alone is not enough. Regulators must also look at the products offered and their impact on the community, 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. Basic banking products must be accessible, affordable, and appropriate to the needs of the communities in which they operate.

Branches increased slightly from 1,399 to 1,403 and from 397 to 402 in low- and moderate-income neighborhoods. The average percentage of branches in low-income tracts remained around 7% and close to 29% 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 2011, 13 of the 20 retail banks met the first benchmark and only six met the second. Wholesale banks don't have retail branches.

TABLE 23

HIGHEST PERCENTAGE OF BRANCHES IN LOW- AND MODERATE-INCOME (LMI) CENSUS TRACTS IN NYC (2011)

	% in LMI Tracts	# in LMI Tracts	Total Branches
Commercial			
Popular Community Bank	62.50%	20	32
Bank of America	35.71%	40	112
Chase	29.95%	115	384
Savings			
Apple Bank	55.88%	19	34
Carver	55.56%	5	9
Ridgewood	38.46%	10	26

TABLE 24

HIGHEST PERCENTAGE OF BRANCHES IN LOW-INCOME (LI) CENSUS TRACTS (2011)

	% in LI Tracts	# in LI tracts	Total Branches
Commercial			
Popular Community Bank	31.25%	10	32
Bank of America	11.50%	13	112
Chase	8.84%	34	384
Savings			
Apple Bank	17.65%	6	34
Emigrant	13.64%	3	22
Carver	11.11%	1	9

Chase has the largest branch network, with 384 branches in the City, a third of which are in lower-income neighborhoods. TD Bank opened the most branches (five new), seeming to lay the groundwork for a goal announced in 2012 to increase their branch presence by over 50% in the City. [7] However, only one of the new branches was in a

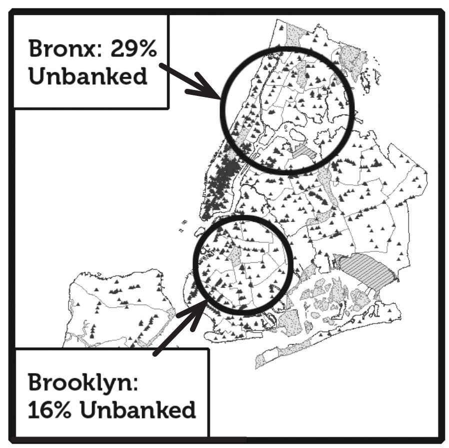
[6] Silver, J. & Pradhan, A. (2012, April): "*Why Branch Closures are Bad for Communities*", Issue Brief by the National Community Reinvestment Coalition: http://www.ncrc.org/resources/reports-and-research/item/729-issue-brief-why-branch-closures-are-bad-for-communities
[7] Berr, J. (2010, June) "The World According to TD", retrieved from American Banker online: http://www.americanbanker.com/magazine/122_6/td-bank-us-expansion-strategy-1049447-1.html

> “ Basic banking shouldn’t be a niche product. All banks, and especially those that seek City business, should be competing to meet the needs of all New Yorkers, with affordable and accessible banking products. ”

moderate-income census tract and none in a low-income tract. As of June 30, 2011, they had not reached the 25% benchmark and we hope they take the steps to get there. Wells Fargo’s deposits increased 13% from a year earlier, while its branching remained the same with 22 total and only one each in a low- and moderate-income neighborhood. Given the deposit increase and the amount of business they do in the City, most notably their home lending, they have a responsibility to serve low- and moderate-income New Yorkers through the presence they do have.

Simply looking at the percentage of branches in lower-income tracts can mask local 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. “You see clusters of banks on Fordham Road, but walk 10 blocks north or south and you won’t see any banks at all”, said Greg Jost from University Neighborhood Housing Program (UNHP).

According to a study by the Office of Financial Empowerment (OFE), over 825,000 adult New Yorkers are unbanked[8] 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. The percentage of unbanked households is highest in the Bronx and Brooklyn. Nearly half of the unbanked are concentrated in just 10 neighborhoods, with the top three unbanked neighborhoods located in the Bronx where 29% of all residents are unbanked.



Map of NYC bank branches lissted in FDIC Summary of Deposits Data, June 30, 2011

Branch presence is important, but that alone is not enough. Banks must also ensure that the accounts and products are affordable, accessible, and match consumers’ needs. 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.[9] New immigrants face unique barriers. A 2009 study by the New Economy Project and a more recent study by OFE of new immigrants in New York found that the length of time in the country is a factor in who has a bank account. And, regardless of length of time here, Latino immigrants are less likely to have a bank account than other immigrants. [10] [11]

[8]http://www.nyc.gov/html/dca/html/pr2010/pr_022510.shtml
[9]Abbott, S.; Bourke, N.; Brockmyer, B., etc. (May 2013), *“Checks and Balances”*, published by Pew Charitable Trusts, retrieved from: http://www.pewstates.org/uploadedFiles/PCS_Assets/2013/ChecksBalances-new.pdf
[10]Gons, N., Erwitt, A., Mahon, C., (March 2013), *Immigrant Financial Services Study*, published by the NYC Office of Financial Empowerment, retrieved from: http://www.nyc.gov/html/ofe/downloads/pdf/IFSStudy_english.pdf.
[11]Del Rio, D. (Feb 2009), *“Ensuring Access to Fair and Affordable Financial Services”*, retrieved from: http://nedap.org/resources/documents/Survey_report_Feb_09.pdf

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 ($3 or less) 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.
- 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 overdraft best practices on disclosure and limiting fees.
- The account must be advertised and promoted, available online, and understood and marketed by all branch staff so that any customer will have it readily available to them.

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

- Partner with the City and nonprofits to provide high-quality financial counseling and education related to all aspects of banking and access to credit.
- Language access for people who don't speak English.
- Offer variable hours 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.

A 2011 survey of ANHD members, designed and compiled by the New Economy Project, echoes these trends. 273 local residents were surveyed from nine organizations in Brooklyn, Queens, Manhattan and the Bronx. 86% of respondents reported using a bank, but results varied by neighborhood. Some reported over 90% banked, but that dropped considerably in four neighborhoods in Queens and Brooklyn where the respondents were predominantly Latino immigrants. In Corona, for example, fewer than half had a bank account. About two-thirds of all respondents felt there were enough branches in their neighborhoods, but that too varied, with the lowest percentages in the Bronx and Brooklyn. The majority of banked respondents used Chase, followed by Citibank, Capital One, and Bank of America. Among banked and unbanked residents, there emerged issues with costs and fees; hours of service; and language access. People also want access to affordable home, small business, and personal loans.

The most basic checking products vary among banks in regards to the 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 state chartered banks offer accounts with no monthly fees. Sovereign and HSBC also provide lifeline accounts for $3 per month. But the options at the other larger commercial banks are more limited, with few options for working class adults.

Chase has the most branches by far, followed by Capital One, Citibank, HSBC, and Bank of America. In the Bronx, 30% of all banks are Chase where the most basic checking account is $12 per month which can only be waived with direct deposits ($500 per month), a monthly average balance of $1,500, or an average daily balance of $5,000 in linked accounts. Chase offers a new prepaid debit card for $5 per month. Given the lack of regulation of prepaid debit cards and the preponderance of high and hidden fees, this looks like a good alternative product with transparent fee structure, FDIC insurance, no overdraft fees, and full access to tellers. However, it is not a bank account and does not allow for any checks. We don't know enough about this product and will be watching to see its impact.

Banks can charge other fees, such as for money orders, remittances, and overdrafts. Overdrafts are typically $30-$35 per incidence, with some adding additional fees for accounts overdrawn for extended periods of time. Popular Community Bank charges the least ($15) and M&T Bank 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. New regulations 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.[12] While more banks are now clearly disclosing their fees and practices,[13] not nearly enough have adopted Pew's best practices: No overdrafts on ATM withdrawals or debit card transactions and no reordering of transactions (reordering transactions from highest to lowest increases the chance of multiple overdraft fees). Of the national banks, only Citibank has adopted all three best practices, Bank of America eliminated overdrafts on debit card purchases, and HSBC does not reorder any transactions. Most other large banks in our study meet at least three of the five "good practices", such as limiting reordering and setting a threshold before an overdraft fee occurs, but TD Bank adopted just two and Sovereign bank none. Most banks offer some form of 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.

Government, banks, and community organizations have tried a variety of strategies to reach the unbanked and under-banked. Popular Community Bank and Carver are mission-driven to serve lower-income and immigrant populations and both participate in city initiatives. Popular Community Bank offers small loans to help people build and repair credit. Carver also 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 and Capital One also stand out for their concerted efforts to reach lower-income New Yorkers by participating in numerous government-sponsored programs and initiatives.

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, most banks now allow undocumented immigrants to use alternate identifications to open an account; this should be universal and fully understood by all branch staff. Some

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

[13] (ibid)

TABLE 25

BANK CHECKING ACCOUNTS, MONTHLY FEES / WAYS TO WAIVE FEE, BASIC OVERDRAFT WITHOUT ANY OTHER PLAN*

Bank (# Branches in NYC)	Monthly fee	Ways to Waive monthly fee	Overdraft
Chase (384)	$12	Direct Deposit $500 OR avg balance $1,500/mo OR avg. balance of $5,000/day in linked accts	$34 (no overdraft below $5; $15 charge if account overdrawn at any amount for 5 consecutive days)
Citibank (138)	$10	Direct Deposit AND one bill pay OR avg. balance $1,500/mo (can include savings accounts)	$34 (no overdrafts on POS debit transactions and ATM withdrawals) - no reordering of any transactions
Bank of America (112)	$12	Direct Deposit $250 OR avg. balance $1,500/mo	$35 (No overdraft on Debit card POS; $35 charge if account overdrawn for 5 days)
Wells Fargo (22)	$7.99	Direct Deposit $500 OR Min balance $1,500/day (Additional $3/mo for bill pay)	$35 (no overdraft if $5 or less)
Capital One (150)	$8.95	Direct Deposit $250 OR Avg. balance $300/day	$35 (no overdraft if $5 or less)
Capital One 360 (Online)	$0	All activity must be conducted online or at an ATM	
TD Bank (84)	$6	Cannot waive ($5/mo fee with e-statements)	$35 (no overdraft below $5; $20 charge if account overdrawn at any amount for 10 consecutive days)
	$15	$100 daily minimum	
HSBC (115)	$3	(8 checks / withdrawals max, .35 per check after)	$35 (no overdraft if $10 or less)
	$15	Direct deposit or $1,500 in combined linked personal deposit and investment balances or $5,000 in total combined linked balances	
Valley National (29)	$3	Cannot waive	$35 (charge $10/day if account overdrawn for 5 consecutive days
	$15	$99 daily minimum	
M&T Bank (13)	$0	unlimited checks/withdrawals - must be active over a 3mo period	$38.50 (no overdraft if $5 or less; $38.50 charge if account overdrawn at any amount for 5 consecutive days)
Popular Community Bank (32)	$0	includes unlimited check writing	$15 ($5/day additional charge for up to 15 days, if overdrawn for 5 consecutive days)
Signature (16)	$3	free up to $8 debits, then $1.50/debit after that	$25
	$20	Min. balance $4,000 or combined linked accounts of $15,000 or more	
Savings			
Sovereign (70)	$3	Cannot waive	$35 (additional $35 fee if account overdrawn at any amount for 5 consecutive days)
	$10	Direct Deposit $500 OR Avg. balance $750/day	
NY Community Bank (84)	$2	Sign up for e-statements	$36.00
Astoria (29)	$0	Account must be "active"	1st $20, 2-3rd $30, 4th+ $35
Apple (34)	$0	$100 to open, no minimum balance.	up to $35
	$3	$10 to open, limit 8 withdrawals/mo)	
Ridgewood (26)	$3	Use dir. Deposit OR sign up for online banking OR maintain $2,500 balance	$30
Carver** (9)	$10	$750 min balance OR 20 debit card use per month OR direct deposit**	$35 (no overdraft allowed on ATM or one-time debit card transactions)
Emigrant (22)	$3	no waiver - max withdrawal of 12 per month (cash, check, ATM) - $6 each after that [Note: In 2013, Emigrant completed sale of its branches to Apple]	$25
Dime (19)	$0		$30
Flushing (15)	$0		up to $35

* Data gathered June 2013 from bank websites, followed by a phone call if information was not readily available
**Carver has a "Free checking" account on their website that they informed us is no longer available

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. 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.

TABLE 26

BANKS IN THIS STUDY CURRENTLY PARTICIPATING IN SPECIAL PROGRAMS TO REACH UNBANKED AND UNDER-BANKED NEW YORKERS (A NUMBER INDICATES THE NUMBER OF BRANCHES IN THE PROGRAM)

	NYC SafeStart	NYC Dir. Deposit Init.	Bank On Manhattan	NY State BDD	NYC First Account*
Popular Community Bank	4	Yes	Yes	1	
Capital One	6				
Citibank**		Yes	Yes	1	Yes
M&T Bank	1		Yes		
TD Bank			Yes		
Carver	1	Yes			
Emigrant			Yes		
Ridgewood	1				
NY Community Bank				1	Yes
Chase					Yes
Flushing		Yes			

*Pilot program – no longer active
**Citibank also participated in the FDIC's Pilot Safe Account program

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. [14] New York City's OFE created the SafeStart program offered at 20 branches throughout the City; [15] 13 are at banks in this study, with four at Popular Community Bank and six at Capital One. 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 such that everyone knows their options and has the same opportunity.

[14]Rhine, S.; Burhouse, S. (April 2012). "FDIC Model Safe Accounts Pilot Final Report", published by the FDIC, retrieved from http://www.fdic.gov/consumers/template/SafeAccountsFinalReport.pdf
[15] Retrieved from http://www.nyc.gov/html/ofe/html/policy_and_programs/safestart.shtml (Capital One reported one SafeStart branch was missing from the website)

COMMUNITY DEVELOPMENT STAFF

- **Community Development staff increased considerably in 2013. The most effective reinvestment progrram start with strong leadership that is knowledgeable about, engaged in and committed to a bank's CRA programs.**

It has been ANHD's experience that the banks with the most effective reinvestment programs, including both community development lending 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 context of the Highbridge section of the Bronx is very different from the Grand Concourse corridor in the same borough. A bank needs locally engaged and expert staff to fully understand the needs and the opportunities of these diverse neighborhoods.

Community development staff serving New York City increased for the second year in a row, up 22%, from 276 to 338. The biggest increases came from the commercial banks (up 27%). Chase increased the number of staff by 24% and Bank of America 78%. Capital One added seven staff members. The number of staff in New York City increased, but the percentage overall decreased slightly.

The wholesale banks were essentially flat, only decreasing by two at Bank of New York Mellon. Goldman Sachs still has the largest team with 24. The savings 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, over 70% of the community development staff serving New York City is located in the City. We are pleased that 15 banks that responded to the staffing question in 2011 maintain the majority of their community development staff located here in the City. While New York Community Bank and Astoria do not, their staff are mainly in Long Island, which borders the City, and are very responsive to local organizations. The percentage of staff supporting all CRA-related activity in New York City is slightly lower. Only 20% of Chase's CRA staff is located in the City. M&T Bank and Capital One also have less than half of their CRA staff in the City, but the remaining banks have higher ratios.

Numbers are only a part of the picture. Staff must be engaged at a very local level – serving on boards, meeting with community organizations, and constantly in tune with the needs of the communities. For example, Citibank's initiative to preserve distressed multifamily buildings only comes from being in conversation with city and nonprofit partners on the ground. Capital One's place-based initiative is successful because of its staff who are intimately familiar with the neighborhood context and New York City specific solutions. Finally, New York Community Bank's successful participation in the First Look Program was only 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. As will come through in the report, a number of banks have senior staff engaged at a local level, serving on boards, providing services, meeting regularly with city and nonprofit officials, and very local initiatives in the communities in which they serve. Some of the savings banks, for example, may not have large community development staff, but their senior and branch staff are engaged at a very local level, making their time and resources available to local community organizations.

COMMUNITY DEVELOPMENT LENDING & CRA-QUALIFIED INVESTMENTS

- **Community development lending and investments deceased overall, but increased with nonprofits.**
- **Two-year averages show increases, demonstrating a rebound from 2008.**

Community development loans and investments provide vital financing to build and preserve affordable housing 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 financing made possible by the CRA.

TABLE 27

COMMUNITY DEVELOPMENT LENDING TOTAL YEAR-TO-YEAR 2010-11

	2010	2011	% chng	Cnt
# Loans	522	434	-16.86%	20
Amount loaned (#)	$3,113.66	$2,357.32	-24.29%	21
Loans to Nonprofits (#)	158	167	5.70%	16
Loans to Nonprofits ($)	$598.70	$676.53	13.00%	16
Aff. Housing Loans (#)	162	144	-11.11%	16
Aff. Housing Loans ($)	$1,846.39	$1,434.28	-22.32%	16
Aff. Housing to NFPs (#)	67	58	-13.43%	14
Aff. Housing to NFPs ($)	$5.18	$5.60	8.11%	3

TABLE 28

CRA-QUALIFIED INVESTMENTS YEAR-TO-YEAR 2010-11

	2010	2011	% chng	Cnt
# Investments	131	188	43.51%	18
Amount Invested ($)	$1,747.40	$1,072.48	-38.62%	20
LIHTC (#)	45	53	17.78%	16
LIHTC ($)	$749.77	$550.05	-26.64%	18
NMTC (#)	17	8	-52.94%	13
NMTC ($)	$93.74	$71.35	-23.89%	13
Investments to NFPs (#)	39	56	43.59%	16
Investments to NFPs ($)	$218.27	$214.35	-1.79%	16

ANHD defines community development lending as loans for affordable housing rehabilitation and construction, neighborhood revitalization, small business development, and job creation initiatives, including loans to community loan funds, for-profit, and nonprofit organizations that serve primarily low- and moderate-income households. CRA-qualified Investments are lawful investments, deposits, or membership shares that have as their primary purpose community development. Investments support affordable housing, community services targeting low- and moderate-income individuals, economic development and job creation, and other efforts to revitalize low- and moderate-income geographies. For example, banks may purchase state and local government bonds or tax credits such as Low-Income Housing Tax Credits (LIHTC) that fund the construction or rehabilitation of affordable housing.

TABLE 29

ONE YEAR VS. TWO YEAR PERCENT CHANGE IN COMMUNITY DEVELOPMENT LENDING & CRA-QUALIFIED INVESTMENTS 2010-11

	2010	2011	% change	# banks reporting
CD Lending	$3,113.66	$2,357.32	-24.29%	21
...2-yr Ave. 2008-09, 2010-11	$1,775.90	$2,106.75	18.63%	15
CD Loans to Nonprofits	$598.70	$676.53	13.00%	16
...2yr Ave to NFP 2008-09,2010-11	$506.29	$410.83	-18.85%	10
CRA Qualified Investments ($)	$1,747.40	$1,072.48	-38.62%	20
...2yr Ave 2008-09, 2010-11	$876.26	$997.24	13.81%	12

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 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.

The percentage of loans and investments to deposits is quite low, with only three banks exceeding 2% of deposits to community development loans and most below 1%. The percentage dedicated to CRA-qualified investments is even lower

TABLE 30

HIGHEST PERCENTAGE OF NYC DEPOSITS DEDICATED TO COMMUNITY DEVELOPMENT (CD) LENDING 2011 (MILLIONS)

	2011 % of Deposits to CD loans	2011 CD lending	2yr Avg. % of Deposits	2yr Avg. CD Lending
Commercial				
M&T Bank	3.17%	$72.87	2.82%	$64.78
Signature	2.61%	$210.34	3.05%	$245.32
Citibank	1.54%	$719.46	1.88%	$877.23
Savings				
NY Community Bank	2.76%	$139.51	2.49%	$126.23
Carver	0.99%	$5.07	0.93%	$4.74
Ridgewood	0.37%	$9.50	0.37%	$9.35
Apple	0.30%	$12.00	0.47%	$19.10
Wholesale				
Morgan Stanley	1.54%	$102.00	0.98%	$65.00
Goldman Sachs	0.31%	$97.61	0.56%	$178.10
Bank of NY Mellon	0.14%	$144.00	0.17%	$175.00
Deutsche Bank	0.12%	$22.90	0.18%	$35.10

Community development lending and CRA-qualified investments declined in 2011. Lending decreased by 24% and investments by 39%, but the number of investments increased, reflecting larger numbers of smaller investments, such as TD Bank's investments in a series of mortgage backed securities supporting affordable housing. In spite of that, lending to nonprofits increased by 13% and the number of loans by 5.7%. Investments with nonprofit sponsors also increased in both number and dollars.

That being said, we recognize that certain community development loans and investments, particularly large and impactful ones, might take a long time to close and depend on opportunity, thus certain fluctuations can be expected. Table 28 demonstrates increases in lending and investments over distinct two-year periods, 2008-09 and 2010-11, indicating lending and investments are rebounding from pre-recession levels, at least among the banks for which we have data that far back.

Among the commercial banks, Chase, Citibank, and Signature again loaned the most amount of money, but all decreased their lending from 2010. Citibank's decrease is owed largely to the fact that they did an extraordinarily large deal with the New York City Housing Authority in 2010. They did similar deals in 2011, but at lower amounts. They are also coming back from a nearly complete retrenchment following the financial crisis, thus their two-year average shows a large increase. On the other hand, Chase decreased on all measures and their $328 million is well below their 2007 level of nearly $700 million in community development lending. The examples cited in their report clearly helped to produce and preserve much needed affordable and supportive housing. However, given their size and presence in the City, they could and should be doing much more. After decreasing sharply in 2008, TD Bank's $30.38 million is nearing their 2007 level of lending. This is encouraging, and given how fast they are growing in the City, we encourage them to increase their levels of lending and investments even more.

After considerable decreases in 2010, community development lending increased in the savings banks, but by all metrics, CRA-qualified investments decreased in these banks. For this report, we look at new commitments, but we recognize that banks also maintain commitments made in previous years. Astoria, for example, maintains a balance on a prior year commitment to the Community Preservation Corporation that continues to finance affordable housing.

Wells Fargo, TD Bank, and Citibank dedicated the largest percentage of their deposits to CRA-qualified investments. However, it must be noted that Wells Fargo has a low deposit base compared to its peers. Citibank's sustained commitment puts them in number one in two-year averages of investments to local deposits. Citibank's investments represent a serious, intentional commitment. One such example is a renewed commitment to the New York Affordable Housing Preservation Fund with an additional $23.75 million. This fund addresses the severe lack of affordable rental housing in the City by preserving multifamily buildings that are in danger of exiting affordable housing programs and are potential targets of predatory private equity transactions. This has proven an innovative and effective strategy to transfer overleveraged multifamily buildings to preservation minded owners, thus preserving vital units of affordable housing.

TABLE 31

HIGHEST PERCENTAGE OF NYC DEPOSITS DEDICATED TO CRA-QUALIFIED INVESTMENTS 2011 (MILLIONS)

	2011 % of Deposits to CRA-qualified investments	2011 CRA-qualified investments	2yr Avg. % of Deposits	2 year Avg. CRA invest
Commercial				
Wells Fargo	1.07%	$116.88	0.86%	$94.13
TD Bank	0.85%	$93.87	0.79%	$87.58
Citibank	0.60%	$279.53	1.19%	$555.90
Savings				
Carver	4.05%	$20.75	2.03%	$10.37
Ridgewood	0.18%	$4.50	0.28%	$7.20
NY Community Bank	0.08%	$3.95	0.25%	$12.72
Wholesale				
Morgan Stanley	1.67%	$110.28	1.04%	$68.64
Goldman Sachs	0.24%	$75.84	0.36%	$116.04
Deutsche Bank	0.06%	$11.00	0.05%	$10.00
Bank of NY Mellon	0.02%	$23.00	0.12%	$124.00

In addition to nonprofits in general, we also asked about lending to Community Development Corporations (CDC's). Both are valuable, but we believe that CDC's, which are locally controlled nonprofits, are the most connected to their local community and have a unique perspective and ability to ensure that community development dollars go further in terms of time and people served.

Among those who responded the results were quite varied. Bank of America, TD Bank, and Morgan Stanley made close to or over half of their community development loans to CDC's. Capital One also ranked among the highest of commercial banks at 16%. TD Bank is starting to focus more on smaller dollar loans to CDC's (under $5 or $10 million), which has long been identified as a need to finance some of the smaller, but meaningful, affordable housing projects. For example, in 2011, TD Bank reported making a $4.5 million loan to a nonprofit developer for the construction of a 23-unit multifamily building in Brooklyn. Also, while not reflected in these numbers, TD Bank made another such loan to Cypress Hills, LDC in 2012 to finance three buildings with 29 affordable housing units. Capital One has long been recognized as a strong partner in community development. The bank has a very neighborhood-based approach to community development. For example, while not in the timeframe of this report, Capital One made a construction loan to The St. Nicks Alliance in 2012 that other lenders may have walked away from. The project was for 28 units of affordable housing on five separate sites and took much longer to complete than originally anticipated. But these are the kinds of creative deals our members specialize in and that will make an impact, especially in higher-density, high cost neighborhoods where land is scarce.

Qualitatively, the loans and investments varied greatly, which demonstrates the power of the CRA's flexibility that allows banks to finance a range of projects that meet the needs of a particular community with regards to affordable housing, economic development, and neighborhood revitalization. At the same time, all dollars are not equal. For example, housing built and managed by a CDC that is mission-driven to serve a particular community 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, housing must be truly affordable to the local residents. ANHD's 2012 Real Affordability report analyzes the housing built and preserved under the mayor's New Housing

TABLE 32

HIGHEST PERCENT OF COMMUNITY DEVELOPMENT LENDING TO CDC'S (MILLIONS)

	% CD to CDC's ($)	To CDC's ($)
Commercial		
Bank of America	55.09%	$62.80
TD Bank	51.44%	$15.63
Capital One	16.53%	$29.20
Savings		
Ridgewood	11.58%	$1.10
NY Community Bank	2.64%	$3.69
Carver	0.00%	$0.00
Wholesale		
Morgan Stanley	49.02%	$50.00
Deutsche Bank	0.00%	$0.00
Goldman Sachs	0.00%	$0.00

TABLE 33

HIGHEST PERCENTAGE OF COMMUNITY DEVELOPMENT LENDING TO NONPROFITS (NFPS) (MILLIONS)

	% Loans to NFPs ($)	Lending to NFPs
Commercial		
HSBC	100.00%	$96.84
TD Bank	100.00%	$30.38
Chase	69.82%	$229.00
Savings		
Sovereign	100.00%	$2.10
Carver	73.94%	$3.75
Ridgewood	28.42%	$2.70
Wholesale		
Goldman Sachs	73.97%	$72.21
Morgan Stanley*	49.02%	$50.00
Deutsche Bank	12%	$2.90

*didn't split out nonprofits – used CDC's

Marketplace Plan and finds 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.[16] And, of the over 294,000 units built with city subsidies between 1987 and 2007, nearly 170,000 are at risk of losing their affordability, because the short-term affordability requirements that were part of the financing and regulatory agreements are expiring. Nonprofit developers are mission driven to build and preserve affordable housing for the long term. Banks should work closely with and lend to nonprofit developers who are committed to building and preserving permanent, deeply affordable housing.

A number of banks purchased Low Income Housing Tax Credits (LIHTC), which are used to finance much-needed affordable housing with for profit or nonprofit developers, often providing capital before subsidies become available from other sources. Given that these tax credits can expire in 15-30 years, financing made with a nonprofit sponsor is again more likely to remain affordable beyond that time. Banks also make investments in common equity funds and organizations that can in turn finance affordable housing through loans and tax credits. Examples include credit unions, CPC, LISC, Enterprise, and other CDFI's, all of which are mission driven to serve lower income communities. Credit Unions are also known for the many services they provide, including bank accounts, loans and financial counseling. Some credit unions should serve as models for what all banks could be providing to their customer base.

The New Market Tax Credits program was created in 2000 and was designed to spur investment in businesses and real estate projects in low-income communities. They are awarded to community development entities operated by banks and non-banks such as Enterprise and LISC, who in turn attract investors to fund neighborhood revitalization projects. Chase used NMTC's to finance a charter school, while New York Community Bank has used theirs over the years to finance business and real estate projects that by their estimates have created over 1,000 temporary and permanent jobs to date.

A few banks reported investing in Carver Bank, which is mission driven to provide banking services and community development investments in traditionally underserved communities. This, together with New Market Tax Credits Carver received through its CDE enabled the bank to continue this mission. In 2011, they made a $15 million investment in a unique project involving the new construction of a six-story mixed used building. The building

[16] 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

houses the first Dominican/Latino cultural center in the United States, the Casa Afro-Quisqueya Cultural Center, as well as Neighborhood Trust, a financial counseling center and credit union that specializes in educating and servicing marginalized communities.

CAPITAL ONE: A MODEL FOR COMMUNITY-BASED REINVESTMENT

Capital One's Placed-Based Initiatives offer a model of community development that supports an entire community. The first initiative was established in Cypress Hills, Brooklyn in partnership with ANHD member Cypress Hills Local Development Corporation (CHLDC). Cypress Hills is a low and moderate income, predominately Latino community with a lack of affordable housing, high foreclosures and crime rates, low literacy and high school graduation rates and few economic opportunities. CHLDC is a 30-year old nonprofit community organization that serves 8,000 residents a year with cradle to college youth and human service programs, and critical housing preservation and economic development initiatives.

Capital One had for years been providing grants, loans, and services to CHLDC and the surrounding community. In 2008, Capital One and CHLDC instituted a more strategic, holistic approach. They implemented systems and programs that foster regular communication and collaboration among senior bank staff, branch staff, CHLDC staff and residents, elected officials, local schools, community organizations, and merchants and civic associations.

Key results of this initiative:

- Financing for Cypress Plaza Mews, a mixed-use development that houses 18 low-income rental apartments and 5 thriving businesses and services. Construction loan for Glenmore Grove, an affordable condominium project, at a time when funding was extremely difficult to find.
- Philanthropy and technical assistance for capacity building, college success programs, and affordable housing development.
- Focused and ramped up volunteerism in the neighborhood by Capital One Associates, including participation on the CHLDC Board of Directors.
- Six branch locations, four in Brooklyn, that offer SafeStart accounts designed by NYC to give unbanked New Yorkers access to safe, affordable bank accounts and financial planning services.
- Key counseling partner in making sure LMI borrowers have access to Capital One's affordable home mortgage product, tailored for low-income borrowers. Every year Capital One originates multiple mortgage loans with CHLDC clients.

They have since expanded the place-based initiative to other neighborhoods and cities throughout the country. Capital One has long been considered a leader in community development by supporting affordable housing, affordable home mortgages, technical assistance, and grants for both direct services and advocacy for policy change. This initiative brings together the best of these types of efforts to support an entire community.

1-4 FAMILY HOME LENDING

- **Lending to purchase or refinance 1-14 family homes showed a marked decrease nearly across the board. Only refinance loans to low- and moderate- income borrowers increased at all.**

While it is true that the majority of New Yorkers rent their home, 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.

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 34

PERCENT CHANGE IN 1-4 FAMILY LENDING IN NYC 2010-11

	2010	2011	% Change
Home Purchase (#)	17,649	14,941	-15.34%
Home Purchase ($)	$7,250.20	$6,457.25	-10.94%
...to LMI borrowers (#)	1,697	1,500	-11.61%
...to LMI borrowers ($)	$235.65	$217.36	-7.76%
Refinance (#)	17,569	16,755	-4.69%
Refinance ($)	$6,765.45	$6,417.73	-5.14%
...to LMI borrowers (#)	1,302	1,545	18.66%
...to LMI borrowers ($)	$198.37	$221.45	11.63%
Total Lending (#)	35,218	31,696	-10.00%
Total Lending ($)	$14,015.65	$12,874.99	-8.14%
Total Lending to LMI (#)	2,999	3,045	1.53%
Total Lending to LMI ($)	$434.02	$438.81	1.10%

Following an increase in lending between 2009 and 2010, home purchase lending decreased once again in 2011. Among all lenders in the City, the number of home purchase loans decreased by 8.5% and the amount loaned by about 3%. Among the 20 retail banks in this study, the decrease was more pronounced – down 15%, with the amount loaned down 11%, but less so for lower-income borrowers.

Mortgage interest rates have been steadily declining since the financial crisis, while home prices have fluctuated slightly. According to the Federal Reserve Bank of New York, as of December 2011, home prices in New York City were fairly flat compared to the prior year– up about 1 or 2 percent in Brooklyn, Queens, and Manhattan and down slightly in the Bronx and Staten Island. Nationwide, prices have been steadily increasing since mid-2011, following a dip in 2010, but are still below pre-recession levels. Perhaps the fluctuations gave some homeowners enough equity in their homes to refinance, which is particularly important for lower-income homeowners to take advantage of low interest rates and lower their monthly payments. Thus, despite a drop in refinance loans overall, we are pleased to see an increase in loans to lower-income borrowers.

We recognize that some of the smaller savings banks face unique challenges in competing with the larger national and regional banks. This is especially so in home lending where the "bread and butter" lenders have fewer reserves and options to make money and compete as interest rates drop and customers refinance higher interest loans. They may also not have the branch and office presence or budgets to compete with the larger banks. In New York City, 1-4 family lending is 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 17% of all loans to LMI borrowers.

TABLE 35

HIGHEST/LOWEST PERCENTAGES OF HOME PURCHASE LOANS TO LMI BORROWERS – COMMERCIAL BANKS (MILLIONS)

		# loans	Amt loaned	# loans to LMI	Amt loaned to LMI	% loans to LMI (#)	% Loaned to LMI ($)
2*	Capital One	66	$17.66	26	$3.62	39.39%	20.52%
3	M&T Bank	217	$77.07	38	$4.82	17.51%	6.25%
4	Valley National	25	$22.03	4	$1.09	16.00%	4.97%
9	Citibank	2,715	$1,139.72	300	$37.56	11.05%	3.30%
10	Wells Fargo	5,869	$2,423.64	406	$63.70	6.92%	2.63%
11	TD Bank	286	$168.13	13	$1.75	4.55%	1.04%
*Popular Community Bank was #1 with 1 of 2 loans to an LMI borrower							

TABLE 36

PERCENTAGES OF HOME PURCHASE LOANS (#) TO LMI BORROWERS – SAVINGS BANKS

		# loans	Amt loaned	# loans to LMI	Amt loaned to LMI	% of loans to LMI (#)	% Loaned to LMI ($)
1	Emigrant	52	$26.30	11	$1.57	21.15%	5.97%
3*	Sovereign	344	$126.94	47	$6.81	13.66%	5.37%
4	NY Community Bank	58	$18.78	4	$0.76	6.90%	4.05%
5	Astoria	245	$171.02	13	$2.00	5.31%	1.17%
6	Ridgewood	59	$46.14	2	$0.35	3.39%	0.76%
7	Apple Bank	17	$11.35	0	$0.00	0.00%	0.00%
*Flushing was #2 with 1 of 7 loans to an LMI borrower, Dime 0 of 2 to LMI borrowers, Carver made 0 loans							

Home purchase lending decreased overall, but Citibank's lending increased considerably to lower-income borrowers (up 19% in volume, 34% in amount loaned). Their"Home Run" product for first-time home buyers allows for non-traditional credit, low down payments, and financial assistance to qualifying borrowers. Their senior staff work with closely with local nonprofits to support this product. While at a much lower volume, Capital One and M&T Bank are also recognized for their home purchase lending. Capital One doubled its home purchase loans in 2011, but M&T Bank's decreased by about a third. M&T Bank has staff situated in low-income communities who are available to help people through the mortgage process from start to finish. Capital One has a well-respected product targeted to low-income borrowers with low down payments and financial assistance. Citibank and Capital One offer portfolio products, enabling them to waive mortgage insurance and lower monthly costs by hundreds of dollars.

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 and Neighborhood Housing Services of New York City train homeownership counselors serving New Yorkers 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 and loan officers in particular 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 on-time 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.[17] Further, in 2010 Fannie Mae conducted an internal review of the loan performance of 232 low- and moderate-income first-time home buyers who received pre-purchase counseling through the New York Mortgage Coalition from 2005 to 2007 and found that the collective default rate was under 2%.

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. Bank of America offered SONYMA loans in 2011, but has since pulled out of the program. Another valuable program is the First Home Club, run by the Federal Home Loan Bank of NY, which offers matching grants for qualifying first-time homebuyers who successfully complete a homebuyer class and save with a participating bank. Astoria, HSBC, M&T Bank, Dime, and Valley National are registered participants. Citibank is applying and expected to participate in 2014.

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 a lower-income family if they are able to get into an affordable home. The Dodd Frank legislation outlined the parameters of a "Qualified Mortgage" (QM) which is considered a safe product for consumers. The CFPB implemented this piece of the legislation and defined the QM, which was an important step towards protecting borrowers from potentially predatory products. Federal regulators issued a separate proposal for "Qualified Residential Mortgages" (QRM) that would qualify to be bought on the secondary market by Fannie Mae and Freddie Mac. 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[18] 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 on-time 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.

Refinance loans are particularly important as interest rates decline, giving borrowers a chance to lower their housing costs. Overall, refinance loans decreased, but not at all banks. Chase increased its refinances more than any of the large lenders (21% more loans overall and 54% more to LMI borrowers). Citibank increased its refinances to LMI

[17] Mayer, N. & Temkin, K. (Mar. 2013), "Pre-Purchase Counseling Impacts on Morgage Performance: Empirical Analysis of NeigborWorks America's Experience", published by Neighborworks, retrieved from http://www.nw.org/newsroom/netNews030713.asp
[18] "Credit Risk Retention" proposed rule issued by six federal regulators: OCC, Federal Reserve Board, FDIC, SEC, FHFA, and HUD. Retrieved from: www.occ.gov/news-issuances/news-releases/2013/nr-ia-2013-128a.pdf

borrowers by 44%. However, most of the larger lenders made a low percentage of their loans to lower-income borrowers; only Chase and HSBC exceeded 10%.

TABLE 37
HIGHEST PERCENTAGE OF REFINANCE LOANS TO LOW- AND MODERATE-INCOME BORROWERS

	# Total Loans	Total Loans ($)	Loans to LMI borrowers (#)	Loans to LMI borrowers ($)	% Loans to LMI borrowers (#)	% Loaned to LMI borrowers ($)	% Change 2010-11 Total Loans (#)	% Change 2010-11 Loans to LMI (#)
Commercial								
Popular Community Bank	17	$2.80	4	$0.40	23.53%	14.13%	-58.54%	-42.86%
Capital One	71	$15.30	14	$1.94	19.72%	12.68%	47.92%	16.67%
Chase	5,043	$1,798.43	673	$99.42	13.35%	5.53%	21.72%	54.36%
Savings								
NY Community Bank	52	$9.87	13	$1.78	25.00%	18.04%	-52.29%	-48.00%
Dime	11	$2.27	2	$0.31	18.18%	13.63%	83.33%	100.00%
Sovereign	218	$49.78	31	$4.06	14.22%	8.15%	12.95%	82.35%

Racial Disparities still persist citywide. Non-Hispanic Whites make up 33% of the New York City population, as compared to Blacks and Latinos which make up about 23% and 29%, respectively. Yet, the homeownership rate and lending do not reflect that distribution. According to the Furman Center, as of 2011, the homeownership rate among non-Hispanic Whites was 42%, but dropped to 26% for Blacks and 15.4% for Latinos. Citywide and among the banks in our study, lending to Black and Latino borrowers is considerably lower. For this report, we look at the primary applicants by race and then by ethnicity. Because Hispanics can be of any race, there is likely some double-counting and the numbers and percentages do not necessarily add up across the columns.

In 2011, 11% all home purchase loans in the City went to non-Hispanic Black borrowers and 8.4% to Hispanics. Among the banks in our study, only M&T Bank and Capital One exceeded the share of the population to Black borrowers. Not one lender that made more than 10 loans met or exceeded even 15% of their loans to Latinos, but Capital One and Sovereign were the closest. The savings banks had higher disparities in both categories. The distribution of refinance loans shows even greater disparities. Not one bank came close to the share of Black and Latino homeowners. It is difficult to know if that is due to discriminatory lending practices or if fewer are eligible to refinance given the larger impact the foreclosure crisis has had on homeowners of color who now owe more than their homes are worth.

Asians make up about 13% of the City population and have a homeownership rate of 40%. But the numbers may mask complexities within this diverse community. As of 2010, Asians in NYC originated from over 20 countries across the globe;[19] 17% of Asians are in poverty, well below the 11% poverty rate of non-Hispanic Whites. In 2012, ANHD member, Chhaya CDC, released a study of South Asians in New York City, among whom 30% were homeowners. 77% of the homeowners in their study were only given one mortgage option and 58% did not have to show proof of income, both of which indicate that the loans may not have been responsibly underwritten and may be at higher risk of foreclosure. In neighborhoods with large South Asian populations, a large percentage of pre-foreclosure notices were filed in homes owned by South Asians, with as many as 52% of notices in South Ozone Park, Queens.

[19] Shih, H., Xu, P. (2012), Asian Americans in New York City: A Decade of Dynamic Change 2000-2010, retrieved from http://www.aafederation.org/headlines.asp?hid=104

TABLE 38

2011 HOME PURCHASE LOANS BY RACE / ETHNICITY*

	All	White		Black		Asian		Latino		Other non-Hispanic**	Ethnicity not known
Commercial											
M&T Bank	217	66	30.41%	86	39.63%	29	13.36%	17	7.83%	8.76%	7.37%
Capital One	66	16	24.24%	15	22.73%	12	18.18%	9	13.64%	21.21%	16.67%
Bank of America	1,439	561	38.99%	146	10.15%	255	17.72%	109	7.57%	25.57%	22.03%
Chase	2,318	1,138	49.09%	176	7.59%	530	22.86%	239	10.31%	10.14%	7.08%
Citibank	2,715	1,354	49.87%	185	6.81%	399	14.70%	167	6.15%	22.47%	19.41%
Wells Fargo	5,869	3,042	51.83%	365	6.22%	962	16.39%	431	7.34%	18.21%	15.15%
HSBC	1,212	348	28.71%	58	4.79%	537	44.31%	49	4.04%	18.15%	16.50%
TD Bank	286	152	53.15%	10	3.50%	54	18.88%	11	3.85%	20.63%	19.23%
Valley National	25	14	56.00%	0	0.00%	6	24.00%	0	0.00%	20.00%	16.00%
Total (Percentages are averages)	14147	6691	42.48%	1041	11.27%	2784	21.16%	1032	6.75%	2599	18.35%
Savings											
Sovereign	344	212	61.63%	17	4.94%	53	15.41%	38	11.05%	6.98%	3.20%
Astoria	245	142	57.96%	11	4.49%	35	14.29%	15	6.12%	17.14%	15.10%
NY Community Bank	58	50	86.21%	3	5.17%	2	3.45%	1	1.72%	3.45%	5.17%
Ridgewood	59	35	59.32%	1	1.69%	5	8.47%	1	1.69%	28.81%	20.34%
Emigrant	52	24	46.15%	4	7.69%	19	36.54%	0	0.00%	9.62%	13.46%
Apple	17	12	70.59%	0	0.00%	2	11.76%	0	0.00%	17.65%	17.65%
Total (% avg)	775	475	63.64%	36	4.00%	116	14.99%	55	3.43%	93	13.94%

* Excludes banks that made 10 or fewer loans in 2011: Signature, Popular Community Bank, Flushing, Dime, and Carver.
** "Other" includes joint race, race not known, and a small # of American Indian, Alaskan, and Native Hawaiian or other Pacific Islander

Foreclosures

The foreclosure crisis is far from over. According to the Federal Reserve Bank of NY, as of May 2013, over 11% of homes in some neighborhoods in Queens, the Bronx, and Brooklyn are in foreclosure. Those same neighborhoods also have high percentages of borrowers at risk of foreclosure, being delinquent by 90 days or more, when lenders typically file a pre-foreclosure 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. In 2011, over 10,000 lis pendens were filed, with about 3,800 each in Queens and Brooklyn. The increase in foreclosures likely indicates more homes entering foreclosure while others have not yet come to resolution. 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.[20] And communities of color have been hit the hardest, with much higher rates of foreclosure than predominantly White communities.

[20] 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

Foreclosure assistance and loan modifications are an important part of any bank's responsible lending products. 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, which demonstrates a new level of transparency. Chase provided some data at the state and MSA level.

According to the US Treasury, from April 2009 through February 2013, nearly 231,600 homeowners received mortgage assistance in the New York metropolitan area through federal HAMP and FHA loss mitigation and early delinquency intervention programs. As of December 2011, over 54,366 loans were in active trial or permanent HAMP modifications. A large volume of loans were in active permanent modifications, but Bank of America, Citibank, and Wells Fargo had only 9% and Chase 15% of their eligible loans in trial modifications. 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 11,408 permanent modifications in 2011 in the NY area.

TABLE 39

DECEMBER 2011 MHA REPORT[21] (HAMP LOAN MODIFICATION DATA)

	Estimated eligible	Active trial	% of eligible in active trial	Trial > 60 days	Active perm. mod	Avg. months to perm. mod Before June 2010	Avg months to perm. mod after June 2010	% converted to perm. (pre <6/10)	% converted to perm. (post->6/10)
Bank of America*	175,221	16,296	9%	10,921	142,535	4.9	3.4	35%	81%
Citibank	52,695	4,542	9%	1,934	50,453	6.8	3.5	41%	83%
Chase**	136,075	20,014	15%	2,570	121,255	8.3	4.5	38%	83%
Wells Fargo	108,728	9,860	9%	1,360	104,047	4.6	3.5	35%	89%
TOTAL US	2,553,947	79,307	3%	21,002	762,839	5.3	3.5	43%	84%

* Bank of America reported to ANHD that the average length of time for a HAMP modification to go from trial to permanent was 5.5 months in New York City, and dropped to just over 2months for non-HAMP modifications
** Chase completed 11,408 permanent modifications in 2011 in the greater NY area.

Yet, despite this activity, it is also clear that the largest banks were not prepared or willing to handle the volume of distressed homeowners and homes. After years of roadblocks in the form of lost paperwork, lengthy processes, unexplained denials, and lack of access to a real person, 49 states collectively sued some of the largest servicers. Chase, Bank of America, Wells Fargo, Citibank, and Ally/GMAC ultimately entered into a $25 billion "National Mortgage Settlement" agreement with these states. In addition to crucial dollars for struggling homeowners, it lays out over 300 standards for servicers and additional funding for foreclosure counselors. New York has already received nearly $2 billion in direct relief for over 19,000 borrowers and an additional $130 million to pay for legal services and housing counseling to ensure New Yorkers are protected in the court system. As of May 2013, Bank of America provided the most financial relief to New Yorkers ($917 million), followed by Chase, Citibank, Wells Fargo and Ally.

And more remains to be done. Many studies have been done on the banks' insufficient progress to address homeowners in or at risk of foreclosure and we won't attempt to recreate them here. One study of housing counselors conducted yearly by the California Reinvestment Coalition, for example, shows problems related to lack of access to a single point of contact, lost paperwork and improper denials, and the need for more assistance to the most vulnerable populations, such as lower-income borrowers, immigrants, and widows.[22] Likewise, the New York State

[21] US Treasury: Dec 2011 MHA Report FINAL
[22] Stein, K.(April 2013), "*Chasm Between Words and Deeds IX: Bank Violations Hurt Hardest Hit Communities*" published by the California Reinvestment Coalition, retrieved from: http://www.calreinvest.org/publications/crc-reports

Attorney General's office has been collecting reports on violations of the National Mortgage Settlement and has already filed lawsuits against Bank of America and Wells Fargo. A separate lawsuit was later filed against HSBC for failing to file the proper paperwork with the courts to move the foreclosure process forward, thus impeding homeowners in foreclosure from coming to any resolution. Finally, ANHD member University Neighborhood Housing Program, conducted a survey of housing counselors in the Bronx in 2011 regarding bank performance related to loan modification, servicing issues, and foreclosure prevention. The received responses for Chase, Wells Fargo, Bank of America, Citibank, HSBC, and Emigrant and the results were disappointing. On a scale of 1 (low) to 5 (high), all banks averaged a score below 3, with Emigrant and HSBC below 2.[23] We recognize this was a small sample size, but it echoes the other reports and is further evidence that challenges remain.

The nonprofit Center for New York City Neighborhoods was established to help homeowners in or at risk of foreclosure. In 2011, staff in their network saw over 3,600 homeowners to provide counseling, assistance with loan modification requests, and legal assistance. The Center for New York City Neighborhoods and ANHD member organizations are engaged in this work every day. Among local members, we continue to hear reports of delayed paperwork, repeated requests for more documentation, challenges working with single points of contact, and long times to get modifications, some of which contributed to the Attorney General's case. The process is particularly challenging for people who are self-employed and have a hard time demonstrating their income.

But, we are hearing some positive reports as well. One counselor in Brooklyn, for example, received three loan modifications from Wells Fargo in 2013, which was unheard of in previous years and months. And another reported that Bank of America has resumed its hotline for homeowners to call, which is also yielding positive results. Bank of America reported granting principal reduction on 122 loans (4 HAMP and 118 non-HAMP).

This is a crisis that must be addressed and with urgency. Banks must provide meaningful, local level data, so advocates and policy makers can monitor and respond in a timely manner. Lenders must file foreclosure paperwork so the process can continue to a settlement conference in a timely manner. Without timely filing, homeowners languish in what is known as the "shadow docket", remaining underwater, accumulating interest and fees, and yet unable to move forward to any resolution. Finally, all lenders should follow the guidelines laid out in the National Mortgage Settlement, regardless of whether or not they signed onto that.

PHILANTHROPY

- **Philanthropy increased 15% in 2011, but this went to slightly fewer organizations. On average, banks dedicate just 0.02% of their deposits to CRA-eligible grants.**

CRA-eligible grants increased 15% for all 18 banks reporting in both years, although the number of grants declined slightly (down 2% among 16 banks reporting the number of grants). The amount given to neighborhood-based organizations increased considerably as well.

> Philanthropy increased 15% in 2011, but this went to fewer organizations. On average, banks dedicate just 0.02% of their deposits to CRA-eligible grants.

ANHD strongly believes that the most effective community development philanthropic programs follow a few key principles: 1) work closely with the nonprofit sector, 2) are accessible through an RFP, and 3) are 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. Deutsche Bank continues

[23] UNHP (April 2012), "Banking in the Bronx. Assessing Options in a Historically Redlined and Underbanked Borough", published by UNHP, retrieved from http://www.unhp.org/pdf/BankingInTheBronx.pdf

to embody these principles through grantmaking to local neighborhood based oganizations and citywide initiatives and organizations like the Neighborhood Opportunity Fund, Enterprise Community Partners, and the Local Initiatives Support Corporation. Deutsche Bank's leadership in the Neighborhood Opportunities Fund, in particular, is noted for its intentionality and significant impact. Deutsche Bank also continues to lead with their innovative SHARE and Working Capital programs that provide critical seed grant money and soft loans in the early development phases of affordable and supportive housing projects.

Chase and Goldman Sachs gave the most in grants, while Wells Fargo's giving increased the most. But all banks still dedicate a very small percentage of their deposits to CRA-eligible grants, nearly all giving less than one-tenth of one percent.

TABLE 40

2011 HIGHEST PERCENTAGE OF DEPOSITS DEDICATED TO CRA-ELIGIBLE GRANTS (MILLIONS)

	# Grants	Amount granted ($)	% to Deposits for Grants
Commercial			
Wells Fargo	60	$4.13	0.04%
M&T Bank	90	$0.66	0.03%
Capital One	232	$4.07	0.02%
Savings			
NY Community Bank	119	$1.29	0.03%
Carver	15	$0.05	0.01%
Ridgewood	88	$0.17	0.01%
Wholesale			
Morgan Stanley		$7.05	0.11%
Goldman Sachs	75	$22.64	0.07%
Deutsche Bank	116	$4.70	0.02%

Neighborhood based organizations (NBO's) are locally based and work on-the-ground to empower their constituents 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 and respond to new and emerging needs. On average, 52% of all giving went to NBO's, with Wells Fargo, Bank of America, Apple, and NY Community Bank ranking highest on this indicator. Capital One and M&T Bank are also known for giving general operating funds and for supporting community organizing. The fact that they do it year after year shows an understanding of local needs and a commitment to justice, including grassroots organizing for policy change that will have an impact citywide and beyond.

Another way to increase the impact of giving is through strategic collaboratives that work directly with local organizations, such as the Neighborhood Opportunities Fund which funded the high-impact Initiative for Neighborhood and Citywide Organizing and Strategic Neighborhoods Initiative. Over the past decade, the Initiative for Neighborhood and Citywide Organizing leveraged $1.3 billion in new public funds for affordable housing and won policy changes that have preserved thousands of affordable units of housing.

TABLE 41

HIGHEST PERCENTAGE OF GRANTS TO NEIGHBORHOOD-BASED ORGANIZATIONS (NBO'S)

	# Grants	Amount granted ($)	NBO Grants (#)	NBO Grants ($)	% to NBO's
Commercial					
Wells Fargo	60	$4.13	60	$4.13	100.00%
Bank of America	78	$3.80	46	$2.80	73.68%
M&T Bank	90	$0.66	70	$0.47	70.11%
Savings					
Apple	16	$0.08	14	$0.07	91.17%
NY Community Bank	119	$1.29	87	$1.09	84.30%
Astoria	31	$0.19	19	$0.10	52.86%
Wholesale					
Goldman Sachs	75	$22.64	18	$13.23	58.42%
Deutsche Bank	116	$4.70	31	$1.70	36.17%

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. That being said, we would encourage Citibank to give more money to local community organizations and make their grantmaking process more open and transparent so more organizations have the opportunity to apply. While Chase continues to give large dollar amounts, a bank that size has the potential to follow a similar model by partnering more closely with the City and nonprofit sector to develop new initiatives that would lead to longer-term stability of neighborhoods.

Meanwhile, the smaller and regional banks are filling a different niche. As banks have consolidated and grown over the years, their philanthropy has becomes more centralized, making it harder for local organizations to access funding. But, the local savings banks have maintained this spirit of giving. In addition to the traditional CRA-eligible grants, they are also giving back to their communities in other ways through matching programs, food banks, volunteering, and giving the very small grants that community organizations may need to hold one-time events that help them reach out to and build their communities. During Hurricane Sandy, staff at some of these banks went above and beyond the call of duty. Astoria's staff were working the following day, providing customers with basic banking services, assuring them their funds were safe and even meeting daily needs for food, water, and a friendly face.

DEUTSCHE BANK: A MODEL OF TARGETED, EFFECTIVE PHILANTHROPY

Deutsche Bank's approach to community development should serve as a model of how the coordination of philanthropy, lending, and investments can have the greatest impact. Deutsche bank's community development and philanthropy are intentional, effective, and place significant value on supporting nonprofit community based organizations, deeply rooted in the communities they serve.

Deutsche Bank embodies the core principles that are essential to effective grantmaking: (1) work closely with the nonprofit sector, (2) have a clear and accessible RFP process, and (3) be highly intentional, with a specific theory and goal underlying the grantmaking. Their quality community development staff are integral to carrying out these values, which is a testament to their long experience in the nonprofit sector and dedication to partnering with the nonprofit CDC community in strategic, impactful ways.

One leading example of this approach is their Working Capital and SHARE programs, long-established innovative, effective programs that support CDCs at critical moments early in their development cycle, enabling projects to move forward that might not otherwise have happened. Funds have supported neighborhood-level change through the development of affordable housing, supportive housing, community centers, commercial facilities, and innovative planning and development partnerships. The programs, initiated in 1998, evolve in their focus each cycle, demonstrating their ability to respond to emerging needs. For example, the most recent Working Capital round supported strong CDC's to merge or partner with struggling nonprofits to preserve affordable housing that might otherwise be lost.

Deutsche Bank's philanthropy and community development staff work hand in hand, creating a rare synchronicity between the two, enabling the lending, investments, and grants to fully support community development in a range of issues. Working Capital and SHARE themselves are both a loan and a grant. Deutsche Bank also provides capital and grants to organizations that provide microloans to the very smallest businesses; create and preserve affordable housing; increase access to local healthy food; and improve health and environmental conditions in low-income communities. They support local organizations directly and also support larger organizations and collaboratives. Their leadership role in the Neighborhood Opportunity Fund, for example, contributed to 15 local organizations having the capacity to collaborate at the Citywide level and ultimately to leverage $1.3 billion in new public funds for affordable housing and win policy change that has preserved thousands of affordable apartments.

SMALL BUSINESS LENDING

- **Small business lending increased overall and in low- and moderate-income tracts. Small business lending in New York City is dominated by six multi-national banks that do most of this lending through their credit card division.**

New York City is home to over 198,500 small businesses that employ fewer than 20 people, ranking second in the country only to Los Angeles County, which has a much larger population. 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 generated nearly $35 billion in receipts.

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. [24] A recent study by the Center for an Urban Future delves into the details of self-employed entrepreneurs.[25] The self-employment rate for immigrants exceeds that of native-born New Yorkers in all boroughs except Manhattan. They found that the self-employed are predominantly immigrants (with a variety of income and education levels) 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 as well as for additional financial services to help these populations prepare to successfully open and manage their own business.

It must be noted that data on conventional small business lending is extremely limited for CRA purposes. A small business loan is technically a small dollar loan of $1 million or less, to any business. These are traditional loans, credit card loans, and lines of credit. They are reported in the aggregate and can be broken down by county level, but not any further. We also get data on lending to small businesses with less than $1 million in revenue, which is a better indication of a small business loan, although many loans, particularly credit card lines of credit, do not use revenue size in their underwriting. All are important, but lending to smaller businesses must carry more weight.

TABLE 42

SMALL LOANS TO BUSINESSES YEAR TO YEAR COMPARISON 2010-11

	Total Commercial Year-to-Year			Total Savings			Total Year-to-Year		
	2010	2011	% chng	2010	2011	% chng	2010	2011	% chng
Small Business Lending (m)									
Small Loans to Businesses (#)	63,532	90,402	42.29%	2,136	1,821	-14.75%	65,668	92,223	40.44%
Small Loans to Businesses ($)	$2,554.68	$3,044.20	19.16%	$95.88	$175.16	82.68%	$2,650.56	$3,219.35	21.46%
... in LMI tracts (#)	16,647	25,211	51.44%	678	518	-23.60%	17,325	25,729	48.51%
... in LMI tracts ($)	$581.94	$669.52	15.05%	$25.37	$42.82	68.78%	$607.31	$712.35	17.30%
% in LMI tracts (#) (average)	26.18%	27.23%	4.00%	37.21%	32.90%	-11.58%	29.63%	29.00%	-2.11%
% in LMI tracts ($) (average)	23.95%	24.14%	0.78%	33.93%	25.49%	-24.86%	27.48%	24.62%	-10.40%
To Business <$1M Revenue (#)	20,527	25,042	22.00%	331	425	28.40%	20,858	25,467	22.10%
To Business <$1M Revenue ($)	$591.33	$732.96	23.95%	$20.86	$33.60	61.09%	$612.19	$766.57	25.22%
... <$1M Rev in LMI tracts (#)	5,504	6,975	26.73%	84	112	33.33%	5,588	7,087	26.83%
... <$1M Rev in LMI tracts ($)	$143.57	$160.03	11.47%	$7.81	$11.14	42.66%	$151.38	$171.17	13.07%
% in LMI tracts (#) (average)	26.91%	27.47%	2.08%	39.40%	33.24%	-15.64%	30.24%	29.01%	-4.07%
% in LMI tracts ($) (average)	23.40%	23.52%	0.53%	42.12%	26.77%	-36.43%	29.25%	24.54%	-16.10%

[24]Kallick, D. D. (2012, June) "Immigrant Small Business Owners" published by the Fiscal Policy Institute, retrieved from: http://fiscalpolicy.org/wp-content/uploads/2012/04/FPI_Release_ImmigrantsAreHalfOfSmallBizOwnersNYC_20111003.pdf
[25]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

Small loans to businesses increased from 2010 to 2011. The number of loans increased 40% and the dollar amount 21%. The number of loans in lower-income tracts increased more but the dollar amount increased slightly less. The number of small business loans increased by 22% overall and 27% in LMI tracts; the dollar amount increased 25%, but only 13% in LMI tracts. On average, the amount loaned to small businesses was nearly a half of all lending, but varies greatly among individual lenders.

As might be expected, the larger commercial banks made the majority of small loans to businesses. Chase originated the most loans overall and in low- and moderate income tracts, and ranked 4th in the percentage of loans made to businesses in lower-income tracts. Capital One, however, made the 3rd highest volume of loans and 2nd highest percentage of loans in low- and moderate income tracts. Wells Fargo ranks 6th in the volume of loans and has one of the lowest percentages of loans made in lower-income neighborhoods. Among commercial banks, Popular Community Bank made the largest percentage of small business loans in lower-income neighborhoods, but they made only 39 loans.

When looking at the loans to small businesses with revenues of less than $1 million, the picture changes. Wells Fargo made the largest percentage if its small dollar loans to small businesses, but only 21% of those were in lower-income tracts. On the other hand, Capital One made one of the smaller percentages of its loans (41%) to small businesses, but nearly a third of those were in lower-income tracts. Some loans do not use revenue size in their underwriting and thus are not captured here. For banks with large credit card lending, like Chase, Capital One, and Bank of America, their percentages to smaller businesses may be underrepresented. For Chase only 4% were reported as being made to smaller businesses, and of the loans they do track, about 25% were in lower-income tracts, lower than all lenders except Wells Fargo. HSBC made the second largest percentage of its loans to small businesses and also the second largest percentage in lower-income tracts, indicating they are having a larger impact on small businesses in lower-income communinities

TABLE 43

LARGEST VOLUME SMALL BUSINESS LENDERS

Small Business (SB) Loans (loans to businesses with less than $1M revenue)							Total CRA Small loans to businesses, % in LMI tracts				
	Small business loans (#)	Small business loans ($)	% of total small loans to businesses #)	# in LMI tracts	$ in LMI tracts	% of small bus. loans in LMI tracts (#)	Small loans to businesses (#)	Small loans to businesses ($)	Small loans in LMI tracts (#)	% LMI tract (#)	Small loans in LMI tracts ($)
Citibank	7,253	$75.59	58.80%	1,991	$16.85	27.45%	12,336	$202.51	3,531	28.62%	$46.82
Capital One	4,787	$45.41	41.22%	1,619	$10.32	33.82%	11,613	$616.62	3,736	32.17%	$152.11
HSBC	4,409	$212.45	61.40%	1,283	$54.25	29.10%	7,181	$524.18	1,927	26.83%	$125.75
Bank of America	2,719	$61.21	53.32%	782	$14.37	28.76%	5,099	$268.65	1,342	26.32%	$54.52
Wells Fargo	2,683	$84.98	63.32%	554	$16.26	20.65%	4,237	$169.11	862	20.34%	$29.23
Chase*	1,897	$104.90	4.00%	486	$23.50	25.62%	47,457	$930.12	13,286	28.00%	$202.23

*Chase does not track revenue size on its credit card loans. JPMorgan Chase Bank, NA made 3753 small dollar loans, 50.55% of which were to small businesses with revenues less than $1 million

Seven "middle lenders" made between 100 and 1500 loans in NYC. TD Bank, for example, made over 1,300 loans; only 21% of those were in lower-income tracts, but nearly 70% went to small businesses. Valley National, too, made a large percentage of its loans to small businesses, but only 10% were in lower-income tracts. NY Community Bank made 1,153 loans through a subsidiary they have since sold off. Signature Bank specializes in commercial and industrial loans and only 16% of their loans went to small businesses, but they had one of the higher percentages of those loans (30%) in low- and moderate-income tracts. M&T Bank ranked below its peers in both the number of loans to smaller businesses and percentage of loans in low- and moderate-income tracts.

TABLE 44
"MIDDLE LENDERS" (BETWEEN 100 AND 1500 LOANS) SMALL BUSINESS LENDERS

Small Business Loans (loans to businesses with less than $1M revenue)							Total CRA Small loans to businesses, % in LMI tracts				
	Small business loans (#)	Small business loans ($)	% of total small loans to business-es (#)	# in LMI tracts	$ in LMI tracts	% of small bus. loans in LMI tracts (#)	Small loans to business-es (#)	Small loans to business-es ($)	Small loans in LMI tracts (#)	% LMI tract (#)	Small loans in LMI tracts ($)
Commercial											
TD Bank	944	$32.29	68.36%	197	$6.72	20.87%	1,,381	$79.43	295	21.36%	$18.30
Signature	106	$26.14	16.69%	32	$9.15	30.19%	635	$94.27	156	24.57%	$21.35
Valley National	192	$81.02	61.54%	19	$7.13	9.90%	312	$125.12	32	10.26%	$10.31
M&T Bank	41	$7.43	36.61%	5	$0.76	12.20%	112	$26.82	19	16.96%	$4.09
Savings											
NY Community Bank	577	$65.25	50.04%	152	$17.81	26.34%	1,153	$96.06	351	30.44%	$22.86
Sovereign	312	$17.63	59.54%	76	$5.71	24.36%	524	$59.40	119	22.71%	$13.16
Astoria	75	$2.06	70.75%	22	$0.59	29.33%	106	$5.79	34	32.08%	$1.96

The increase in lending is encouraging, but banks could be doing more. The Federal Reserve Board of New York conducts an annual survey of the credit needs of small business owners. In their August 2012 report, 41% of small businesses surveyed had applied for new credit or to renew a line of credit and of these, nearly half had revenues less than $1 million. They also found that over half of applicants were seeking very small dollar loans (under $100,000), and that access to capital was much harder for smaller firms, struggling firms, and those that didn't have a previous history with a financial institution. Business lines of credit can be especially helpful to meet daily expenses and deal with unanticipated expenses – they allow for flexibility in spending and typically have lower interest rates than credit cards. For newer businesses, they could also establish good credit to set the stage for larger loans in the future. Yet the approval rate to open or extend a new line of credit was 13-17% while approval rates for credit cards was closer to half, and in all cases, many businesses received less than what they originally applied for.

Small businesses are inherently risky. The Census Bureau finds that five years after starting, 45% of new establishments were still alive.[26] For these newer businesses, additional assistance can be critical, including financial counseling and establishing or repairing credit. In this context, we recognize other investments some banks are making to support small businesses. These include such investments as credit unions, Community Development Financial Institutions (CDFI's), and micro-lenders such as Grameen and Acción; mentoring for small business owners; and partnerships with New York City. Citibank and Capital One have invested significant resources in small business development and creation on their own and by partnering with the City. Deutsche Bank has also invested in some of the smallest of businesses: street vendors. TD Bank has a second look program that refers small business owners who don't qualify for a traditional loan to other organizations or City agencies. In addition to such partnerships with government and community organizations, all banks could adopt some of the best practices demonstrated by these entities to reach more lower-income entrepreneurs.

We are pleased credit is flowing again to businesses overall and in LMI tracts, but we are concerned that many loans were explicitly reported through credit card affiliates and likely to carry a higher interest rate than more traditional loans and lines of credit. This may be better than a business owner having to use his/her own personal credit card, but access to more traditional, lower cost products could have a greater impact on the business and surrounding community.

[26] http://smallbiztrends.com/2012/12/start-up-failure-rates-the-definitive-numbers.html

PART III

RECOMMENDATIONS

#1

BANKS WITH DISTRESSED MULTIFAMILY LOANS SHOULD IMPLEMENT A "FIRST LOOK" PROGRAM TO TRANSFER DISTRESSED PROPERTIES TO PRESERVATION-MINDED PURCHASERS.

When loans are not responsibly underwritten and speculative underwriting or lending to bad-actor landlords has put the buildings and the surrounding community at risk of financial and physical distress, the bank has a special responsibility to deal with the distressed assets and undo the damage caused by the irresponsible loans. In these cases, the bank must use appropriate underwriting that values the loan and the building at its actual worth – based on actual income and maintenance costs, in addition to properly assessing a property's current physical condition – and deal with a responsible purchaser who will stabilize the affordable housing and the surrounding community.

In order to do this, ANHD has advocated strongly for banks to participate in a "First Look" program where the banks will make available to the City Department of Housing Preservation and Development (HPD) and ANHD their list of distressed mortgage debt and/or buildings that the bank is looking to dispose of. Through this program, the banks allow preservation purchasers a first look at these distressed assets during an exclusive time-limited period that respects the need of the bank to dispose of the assets in a timely, market-driven manner. This program, in its pilot form, has already proven a success for both the participating banks and the buildings that have been rescued.

ANHD and our members have also been working with HPD to fully establish a publicly-funded preservation transfer program to incentivize and assist this transfer of ownership to preservation-minded purchasers. Under New York City's new Preserving City Neighborhoods (PCN) program, the City publicly committed significant resources to the effort and has compiled a list of nonprofit and for-profit landlords with a history of preserving affordable housing which it will recommend for these deals. At the same time, HPD's affiliate, Neighborhood Restore, has been putting together the financing and structure for a note-sale facility that allows the City to work with preservation purchasers, especially nonprofits, to buy at-risk mortgage debt as well as foreclosed buildings. The infrastructure that HPD has put in place is an important start, but the approach has not yet reached the scale needed to transfer the many distressed buildings in the City to more responsible owners.

ANHD applauds the banks already participating in First Look programs and makes the following recommendations to the banks and the City:

- Banks with a multifamily portfolio should implement a First Look program to allow HPD and ANHD an opportunity to stabilize the housing by arranging a preservation-minded developer to begin a fair negotiation for distressed properties – based on actual income and expenses – in order to remove them from a speculative investment cycle. Nonprofit CDCs are mission-driven to preserve affordability and should be considered the first option for preservation deals wherever possible.

- New York City should fully fund PCN, the distressed-debt note-sale facility that is at the heart of the City's multifamily strategy.
- The City should allow this note-sale facility to quickly prove itself and move to operate at a significant scale in order to have an impact on the problem.

If implemented, these recommendations have the potential to preserve many thousands of units of affordable, rent-regulated housing. They would also go a long way towards rebuilding the image of banks as institutions committed to our local communities.

#2

ALL BANKS SHOULD COMMIT TO INCREASING ITS PERCENTAGE OF LOCAL DEPOSITS TO THE FULL RANGE OF TARGETED, STRATEGIC REINVESTMENT LENDING AND INVESTMENTS THAT SPECIFICALLY BENEFIT LOW- AND MODERATE-INCOME COMMUNITIES.

In light of increasing deposits and an ever-growing need for community development throughout New York City, ANHD is concerned that such a small percentage of deposits are dedicated to these investments. The total reinvestment activity in 2011 was $10.4 billion, which equals 1.36% of the $715 billion of local deposits. On average, the 24 banks reinvested 4.61% of their deposits; when the highest and lowest percentages are removed, that drops to 3.2%.

In ANHD's 2012 report, we suggested that all banks should reinvest at least 5% of their locally held deposits to activities that include community development loans, CRA-qualified investments, CRA-eligible grants, home purchase loans to LMI borrowers, and small business loans and multifamily loans in LMI census tracts. While this is still a worthwhile goal, in the 2013 report we are taking a more nuanced approach to the reinvestment goals.

Looking first at volume, a goal of 5% of deposits is still worthwhile and attainable for reinvestment. We must note that multifamily loans tend to be much larger in scale and can overshadow other reinvestment activities, especially in banks for which this is a key component of their business model. The majority of private affordable units are in rent-regulated buildings, making them extremely important to New York City residents, but they are not income restricted and there is no agreement to ensure the housing will remain affordable in the long term. Thus, it important, but not enough, to reach that 5% benchmark solely by making multifamily loans in lower-income tracts or even loans on units that are affordable to low- and moderate-income renters if they aren't affordable in the long term.

The overall reinvestment quality score and its components demonstrate where banks are leading their peers, matching, or lagging. While not all banks do each type of lending and investments, every type should be done equitably and responsibly and banks should be striving to demonstrate leadership in one or more area.

Reinvestment reaching 5% of local deposits would mean nearly $36 billion coming back to our communities, or $25 billion more than what is currently being reinvested. Among the Big Four banks alone, 5% equals $21 billion, or $17.5 billion above their current reinvestment level. Even smaller, more incremental increases would have a huge impact on the lower-income communities of New York City.

Philanthropy is the only activity for which a bank does not get a direct return on investment. Thus, it is a true statement of their values and commitment to New York City. ANHD believes that banks should commit more than their current average level of .02% of deposits. Even .05% of deposits would translate into $357 million to carry out the missions of hundreds of nonprofit CDCs, service agencies, and advocacy organizations dedicated to revitalizing and empowering vulnerable communities.

We make the following recommendations:

- Banks that already invest close to 5% of their deposits should take steps over the next year to reach or exceed that goal in a responsible manner. It might take more time for some banks to reach 5% of deposits, while others have already exceeded it, thus each bank should increase its reinvestment volume from year to year. Banks well below the 5% mark should take incremental steps and build up the infrastructure (staff and resources) within their institution to support larger deals that target the unique banking needs of New York City communities.
- While not all business models support every type of loan and investment, each bank should devote significant resources to CRA-eligible grants and affordable housing. Banks should do more deals with nonprofits, particularly nonprofit CDC's, and local community- based organizations in order to maximize the impact of their dollars, especially to build and preserve affordable housing that will remain deeply affordable permanently.
- Banks should aim for a quality score above a 3, demonstrating leadership in multiple areas of reinvestment. This represents a commitment to fair lending and to factors that have an impact beyond simply the dollar amount.

All banks can, and should, do more across the reinvestment spectrum, including the construction and maintenance of affordable housing, fair and consistent lending, and targeted generous philanthropy that supports a vibrant, healthy city and nonprofit sector.

#3

COMMIT TO THE IMPLEMENTATION OF THE RESPONSIBLE BANKING ACT.

In 2012, the New York City Council passed Local Law 38, the Responsible Banking Act. While the law does not require banks or government to take any specific, pre-determined action, it gives the City and local communities the information they need to determine a baseline of neighborhood banking needs and evaluate how banks are engaging in community development and reinvestment at a local level so they can make more informed decisions about which banks might merit more or less City business. ANHD believes the 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 to do so on an ongoing basis.

ANHD urges all banks covered by the Responsible Banking Act to fully participate in its implementation. This includes meaningful engagement with the new Community Investment Advisory Board. We urge the banks to fully participate in the process through their banking industry representative on the Board and to respond in a complete and timely manner to requests for information. We also encourage these banks to continue engaging with ANHD and member institutions in this process so as 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.

#4

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. Conversely, the lack of a bank account is directly related to poverty. Yet, traditional banking accounts remain out of reach for many New Yorkers. New Yorkers need safe, affordable ways to access and manage their own money.

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

Every bank should offer a Safe, Affordable Bank Account

- Low monthly maintenance or service fee ($3 or less) that can be waived with reasonable transaction require ments 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.
- 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 overdraft best practices on disclosure and limiting fees.
- The account must be advertised and promoted, available online, and understood and marketed by all branch staff so that any customer will have it readily available to them.

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

- Partner with the City and nonprofit agencies to provide high-quality financial counseling and education related to all aspects of banking and access to credit.
- Language access for people who don't speak English.
- Offer variable hours 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.

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 2010 and 2011 were included in trending analysis year to year. For this reason, there is some amount of data that banks provided for 2011 that we could not use for year-over-year analysis since the same information was not provided in 2010. 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

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 an attempt to control for the wide variance in size and the various charter types, which are central to informing their respective business plans, ANHD groups these 24 institutions into three categories: Commercial, Savings, and Wholesale, based on how they are chartered. Historically, commercial and savings banks have 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 the two have blurred and operate quite similarly in many areas.

We use the following terms as defined by the FFIEC and OCC:

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

- **National Bank**: A Commercial Bank whose charter is approved by the Office of the Comptroller of the Currency. National Banks are required to be members of the Federal Reserve System.
- **State Member/Non-Member Banks:** This subset includes all state-chartered commercial banks thatare / are not members of the Federal Reserve System.

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 Bank:** Banking institution organized to encourage thrift by paying interest dividends on savings. Savings banks can have state and federal affiliations,
- **Savings and Loan Association:** A financial institution that accepts deposits primarily from individuals and channels its funds primarily into residential mortgage loans.

Wholesale Banks: A bank that is 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.

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

Service and responsiveness includes branching, staffing in NYC, and community responsiveness

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 – commercial, savings, 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 20.5 years (Jan 1993 through May 2013) 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 year 2011 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 or Not Provided or Not Applicable"
- Asian: Race is "Asian" and Ethnicity is "Not Hispanic or Latino or Not Provided or Not Applicable"

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

Checking Accounts

Checking account fees and requirements were retrieved June 2013 from individual bank websites, supplemented with calls or visits to the bank when the data was unclear.

Business Wth 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",
        i. Status: Active
        ii. Year: FY 2013
        iii. Category: Expense
    b. Active pension funded contracts
        i. Status: Active
        ii. Year: FY 2013
        iii. Category: Revenue
        iv. 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

	Total for 2011 (%'s are averaged)	# Banks for which we have data in 2011	# Banks for which we have data in both 2010 & 2011
Staffing			
Community Development Staff Serving NY	338	20	20
Community Development Staff located in NYC	229	20	20
Staff supporting CRA Activity	422.5	19	19
CRA Staff Located in NYC	226.5	19	19
Average % Community Development Staffing located in NYC	75.67%	19	19
Branches & Deposits (billions)			
Tier 1 Capital	$531.53	24	24
Total Deposits (National)	$3,511.21	24	24
Total Deposits in NYC	**$714.64**	**24**	**24**
Total NYC Branches	1403	20	20
Low-Income (LI) Branches	100	20	20
Moderate-Income (MI) Branches	302	20	20
Average % branches in low- and moderate-income neighborhoods	29.77%	20	20
Average % branches in LI Census Tracts	7.61%	20	20
Multifamily (MF) Lending (millions)			
MF Lending (# Loans)	2937	20	19
MF Lending (in $)	$12,092.18	20	19
MF Lending in low- and moderate-income neighborhoods (#)	1582	20	20
MF Lending in low- and moderate-income neighborhoods ($)	$5,575.85	20	20
Average % of MF lending in low- and moderate-income neighborhoods ($)	41.91%	20	18
Average % of MF lending in low- and moderate-income neighborhoods (#)	42.80%	20	18
MF Loans that also count as Community Development loans (#)	856	16	
MF Loans that also count as Community Development loans ($)	$2,998.85	16	
Community Development Lending (millions)			
Community Development Lending (# Loans)	434	20	20
Community Development Lending (in $)	$2,357.32	21	21
Average Community Development Lending as % of Deposits	0.87%	21	21
Two-year Avg. CD Community Development Lending ($)	$2,735.49	21	15
Average Two-year avg. Community Development Lending as % of Deposits	0.84%	21	15
Community Development Loans to Nonprofits (#)	172	18	16
Community Development Loans to Nonprofits ($)	$680.22	18	16
Average % Community Development Loans to NFPs ($)	41.67%	18	16
Community Development Loans to CDC's (#)	60	17	N/A
Community Development Loans to CDC's ($)	$167.32	17	N/A
Average % Community Development Loans to CDC's ($)	11.76%	17	N/A
Affordable Housing Loans (#)	145	18	16
Affordable Housing Loans ($)	$1,435.71	18	16
Affordable Housing Loans to Nonprofits (#)	60	16	14
Affordable Housing Loans to Nonprofits ($)	$443.24	16	3
Average % Community Development Lending to AH ($)	45.66%	18	16
Small Business Lending (millions)			
Small Loans to Businesses (#)	92223	20	20
Small Loans to Businesses ($)	$3,219.35	20	20
... in LMI tracts (#)	25729	20	20
... in LMI tracts ($)	$712.35	20	20
Average % Small Loans to Businesses LMI neighborhoods ($)	24.62%	20	20
Average % Small Loans to Businesses LMI neighborhoods (#)	27.23%	20	20

Small Loans to Small Businesses (Revenue <$1M) (#)	**26044**	**19**	**19**
Small Loans to Small Businesses (Revenue <$1M) ($)	**$831.82**	**19**	**19**
... in LMI tracts (#)	7239	19	19
... in LMI tracts ($)	$188.98	19	19
Average % Small Loans to Small Businesses LMI neighborhoods ($)	24.70%	19	19
Average % Small Loans to Small Businesses LMI neighborhoods (#)	28.84%	19	19
CRA-Qualified Investments (millions)			
CRA Qualified Investments (#)	188	19	18
CRA Qualified Investments ($)	$1,072.48	21	20
Average CRA-qualified investments as % of Deposits	0.45%	21	20
Two-year Average CRA-qualified investments	$1,409.94	20	12
Average Two-year Avg. CRA-qualified investments as % of Deposits	0.40%	20	12
LIHTC (#)	56	18	16
LIHTC ($)	$550.05	19	18
NMTC (#)	8	16	13
NMTC ($)	$71.35	16	13
CRA Qualified Investments with nonprofit sponsors (#)	56	17	16
CRA Qualified Investments with nonprofit sponsors ($)	$214.35	17	16
Average % CRA-qualified investments with nonprofit sponsors ($)	28.78%	13	12
Mortgage Lending (millions)			
Home Purchase Loans (#)	14941	20	20
Home Purchase Loans ($)	$6,457.25	20	20
Home Purchase Loans to LMI borrowers (#)	1500	20	20
Home Purchase Loans to LMI borrowers ($)	$217.36	20	20
Average % of Lending to low- and moderate-income Borrowers ($)	4.24%	20	20
Average % of Lending to low- and moderate-income Borrowers (#)	13.72%	20	20
Refinance Loans (#)	16755	20	20
Refinance Loans ($)	$6,417.73	20	20
Refinance to LMI borrowers (#)	1545	20	20
Refinance to LMI borrowers ($)	$221.45	20	20
Average % of Lending to low- and moderate-income Borrowers ($)	5.10%	20	20
Average % of Lending to low- and moderate-income Borrowers (#)	9.98%	20	20
Philanthropy (millions)			
Total Philanthropic Giving (National) (#)	10333	14	1
Total Philanthropic Giving (National) ($)	$345.43	17	16
CRA-eligible Grants in NYC (#)	1475	17	16
CRA-eligible Grants in NYC ($)	$74.06	18	18
Average % of Deposits Dedicated to Philanthropy (NYC)	0.02%	18	18
Grants to Neighborhood Based Organizations (#)	717	15	3
Grants to Neighborhood Based Organizations ($)	$27.50	15	15
Average % grants to Neighborhood Based Organizations	52.08%	15	15
Reinvestment activity (millions)			
Total Reinvestment (includes all banks, whether they reported on some or all categories)	$9,707.51		
Average % of Reinvestment to Deposits	4.69%		
Overall Index (Total Reinvestment divided by total deposits)	1.36%		

APPENDIX D
SAMPLE DATA REQUEST LETTER

Dear:

I hope you are well. I am writing to submit our annual request for information concerning Bank's CRA-related activities in New York City for calendar year 2011. We are especially interested in the bank's community development lending, investment and services. We would like this information on the activities of Bank and all other subsidiaries and affiliates doing business in New York City.

As you know, the Association for Neighborhood and Housing Development (ANHD) is a non-profit member organization of 98 neighborhood-based housing groups in New York City. Our members serve low- and moderate-income communities and households throughout the five boroughs. Since the passage of the Community Reinvestment Act (CRA) in 1977, ANHD's reinvestment advocacy has focused on identifying unmet credit needs as well as opportunities related to affordable housing and community development in New York City.

I would like to thank you in advance for sharing this important data. To facilitate submission of this data, we have enclosed a form that will hopefully guide your response. If your bank does not engage in a particular activity, please answer "Not applicable." We understand that every financial institution is unique and that numbers alone do not always capture all the bank's CRA-related efforts. For this reason, I also invite you to share additional information—either quantitative or qualitative — that you believe demonstrates Bank's commitment to help meet the credit needs of working class New Yorkers.

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. The shaded areas should be filled out to the greatest exten possible. We hope you find this guide helpful as you prepare your response.

- Bank Name:
- Main 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.

Branching / Deposits

- Tier 1 Capital
- National (Domestic) Deposits
- Dollar amount of deposits in New York City
- Number of bank branches within the five boroughs of New York City
- Number of NYC branches that were located in low-income census tracts
- Number of NYC branches that were located in moderate-income census tracts

1-4 Family Lending

- Home Purchase and Refinance Loans (# / $)
- Home Purchase and Refinance Loans to LMI borrowers (# / $)

Small Business Lending

- Total small business loans (# / $)
- Total small business loans in LMI tracts (# / $)
- Total small business loans to businesses with revenue < $1 million (# / $)
- Total small business loans to businesses with revenue < $1 million in LMI tracts (# / $)

Community Development and CRA-related Staffing

We are requesting the following information concerning Bank's staffing as of December 31, 2011:

- 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:
- CD Staff located in NYC
- Staff supporting CRA Activity
- CRA Staff Located in NYC

We recognize that each bank has a unique way of defining and staffing their community development and CRA divisions, and that some are one in the same, while others are separate. Please explain how you define your CD and CRA staff

Additionally, does the bank have a centralized community development group dedicated to New York City and staffed by a senior executive? (Circle) 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 2011.

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

- Number / Dollar amount of community development loans originated in NYC as a whole and by borough
- Number / Dollar amount of community development loans made to non-profit sponsors / borrowers
- Number / Dollar amount of community development loans made to CDC* sponsors / borrowers
- Number / Dollar amount of community development loans for affordable housing

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

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

***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 2011: (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)**
`
- Number and Dollar amount of multifamily loans originated in New York City
- Number and Dollar amount of multifamily loans originated in LMI neighborhoods in the city
- Number and Dollar amount of multifamily loans originated that also count as Community Development loans

Please fill in the requested above information:
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 CommunityDevelopment 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 2011 in both HAMP and non-HAMP (proprietary).

- Number of mortgage loans that were eligible for a trial loan modification
- Number of eligible loans that were granted a trial loan modification
- Number of mortgage loans that were eligible for a permanent modification
- Number of eligible loans that were granted a permanent loan modification

Please fill in the requested information pertaining to Bank's Loan Modifications 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 modification
- # 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 2011, what were the:

- Number and Dollar amount of CRA-qualified investments made in New York City
- Number and Dollar amount of these investments that are Low Income Housing Tax Credits
- Number and Dollar amount of these investments that are New Markets Tax Credits
- Number and Dollar amount of these investments made with non-profit sponsors

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 (#,$)
- NMTC in NYC (#,$)

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-communities

CRA-Eligible Grants (Philanthropy)

We are requesting the following information concerning Bank's CRA-eligible grants in 2011:

- Dollar amount of CRA-eligible grants awarded nationally
- Number and Dollar amount of CRA-eligible grants awarded in New York City
- Number and Dollar amount of CRA-eligible grants made to neighborhood-based organizations
- Number and Dollar amount of CRA-eligible grants made to citywide organizations
- Percent of CRA-eligible grants that were awarded for affordable housing
- Percent of CRA-eligible grants that were awarded for community development
- Percent of CRA-eligible grants that were awarded for financial literacy

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:
Philanthropy (#, $, %)

- 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-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.

GLOSSARY OF TERMS AND ACRONYMS

Bank Classifications: ANHD uses the following classifications as defined by the FFIEC and OCC.

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

National Banks: Commercial Banks whose charters are approved by the Office of the Comp troller of the Currency. National banks are members of the Federal Reserve System.

State Member and Non-Member Banks: All state-chartered commercial banks. "Member" refers to whether or not they are members of the Federal Reserve System.

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: Banking institutions organized to encourage thrift by paying interest dividends on savings. Savings banks can have state and federal affiliations.

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 whole sale 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 (SBA); 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 Community Reinvestment Act (CRA) exams, community development lending includes multifamily mortgages for apartments that serve low- and moderate-income households or otherwise contribute to neighborhood revitalization. However, 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.

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 institu¬tions to be used towards the purchase of an owner-occupied 1-4 family home.

Home Refinance Lending: Loans extended to consumers by financial institu¬tions 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-White-Plains-Wayne NY-NJ Metropolitan Division with an AMI in 2011 of $67,400, making low-income $33,700 or less.

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 $40,440.

Moderate-Income: A family whose income is 50%-80% of the Area Median Income (AMI). New York City is part of the New York-White-Plains-Wayne NY-NJ Metropolitan Division with an AMI in 2011 of $67,400, making 50% - 80% AMI $33,700 - $53,920.

Multifamily Lending: Loans, either originations or refinancings (including MECA/CEMA's), to individual landlords or investors of multifamily properties, which are buildings with five or more 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 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 primar¬ily 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/CRA 101JO.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

ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.

50 Broad Street, Suite 1125
New York, NY 10004-2376
www.anhd.org

T 212.747.1117
F 212.747.1114
E info@anhd.org

NONPROFIT ORG
US POSTAGE PAID
NEW YORK, NY
PERMIT No. 3933

anhd
ASSOCIATION FOR
NEIGHBORHOOD
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