THE STATE OF BANK REINVESTMENT IN NEW YORK CITY:

2016

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

Association for Neighborhood & Housing Development

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

Founded in 1974, the Association for Neighborhood & Housing Development (ANHD) has grown into a consortium of 101 non-profit housing and equitable economic development organizations serving low- and moderate-income New Yorkers. ANHD is dedicated to policy research, advocacy, strategic communications, and leadership development to support these members and to ensure flourishing neighborhoods and decent, affordable housing for all New Yorkers. To date, ANHD and its members have built over 100,000 units of housing and, in the past decade alone, leveraged over $1.3 billion 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 & Housing Development
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Association for Neighborhood & Housing Development

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EXECUTIVE SUMMARY

The Association for Neighborhood & Housing Development (ANHD) produces this report, "The State of Bank Reinvestment in New York City," each year to help communities, legislators, and regulators understand the impact of the Community Reinvestment Act (CRA) at a local level. Under the CRA, banks have a continuing and affirmative obligation to safely and responsibly help meet the credit needs of the lower-income people in the neighborhoods in which they do business. Thus, if a bank takes deposits or does business in a neighborhood, it must provide all of its services equitably. They must also contribute to community development efforts that benefit the same populations.

This report comes at a critical moment in our country. We are entering the 40th anniversary of the CRA in 2017 and are less than 10 years out from the latest financial crisis, which was a direct result of irresponsible behavior by financial institutions that targeted and misled poor and minority communities with expensive and unsustainable loans. Congress bailed out some of the largest banks and implemented more systemic changes through the Dodd-Frank Wall Street Reform and Consumer Protection Act (more commonly referred to as Dodd-Frank), which created the Consumer Financial Protection Bureau. Regulators have also been taking steps to improve how banks are evaluated under the CRA during exams and at times of mergers. Typically, we would be reflecting upon the benefits of these acts, as well as the challenges that remain for our communities in accessing banking, credit, and services. We would be working towards ways to expand and improve upon them. Yet, what is happening is quite the opposite. We now have an administration that may roll back, defund, and dismantle bank regulations. They also may cut funding for affordable housing and social safety net programs and rollback enforcement of discriminatory practices. This puts us at great risk of another collapse or of disenfranchising poor and minority people and communities.

This report analyzes the CRA activity of 25 banks that operate in New York City, including some of the largest banks in the country. This year, we are using a new format in an attempt to make the report easier for all audiences to use. The report has seven sections:

1) Deposits and the reinvestment quantity & quality indexes;
2) Branches and banking products;
3) Multifamily lending;
4) 1-4 family lending;
5) Community development staff, community development lending, and CRA-qualified investments;
6) Economic development and small business lending; and
7) CRA-eligible philanthropic grants.

Each section has four components:

- **Background:** An explanation of the area being analyzed as well as context for what we are analyzing and why.
- **Principles:** A set of overall best practices and recommendations. This includes specific recommendations as well as general ideas that can serve as guiding principles to inform how banks approach their work in this area.
- **Trends & Findings:** Specific findings from the data ANHD collects directly from banks and from additional sources.
- **Recommendations:** Specific recommendations for banks and, in some cases, regulators. These are directly related to the principles.

We hope this serves as a useful tool for all audiences, including banks, legislators and bank regulators, community organizations, and allies.

SUMMARY OF TRENDS & FINDINGS

CHANGE IN DEPOSITS AND REINVESTMENT 2013-14, 2014-15 (BILLIONS)						
	2013	**2014**	**Percent Change 2013-14**	**2014**	**2015**	**Percent Change 2014-15**
Locally Held Deposits	$870	$990	13.8%	$990	$1071	8.2%
Core Consumer & Commercial Lending	$5.22	$6.5	25.2%	$6.5	$5.26	-19%
Community Development*	$4.77	$5.61	17.6%	$5.61	$5.82	3.7%
Overall	$9.96	$12.1	21.6%	$12.1	$11.1	-8.5%

1. **Deposits and the Reinvestment Quantity & Quality Indexes: Local deposits continue to increase, but at a slower rate**; up 8.2% from 2014-15 as compared to 14% from 2013-14, reaching $1.7 trillion. As before, the wholesale and Manhattan deposits far outweigh the deposits in the outer boroughs. Deposits increased 7.2% in the outer boroughs, from $100 billion to $107 billion. Seven banks increased deposits but decreased reinvestment in New York City. Nine banks reinvested over 5% of their local deposits, up from five in 2014, but seven banks increased deposits and decreased reinvestment dollars. Six banks had a quality score over "3".

2. **Branches and Banking Products: The number of branches remained relatively stable across the City, but the distribution remains inequitable**, with core Manhattan inundated, while lower-income neighborhoods still lack sufficient branches and ATMs. The Bronx is still the most unbanked area in the City. Two banks closed there in 2015 and three opened. Some new accounts appear more accessible to lower-income New Yorkers, but many remain out of reach. However, at five banks, including three of the largest banks, overdraft fees accounted for over 40% of the banks' service fees. **Only one bank in this study currently accepts the IDNYC as primary identification.** In 2015, three banks did, but two of those now only accept it as secondary identification. **Currently, a total of 6 banks and 7 credit unions in NYC accept it as primary ID.**

3. **Multifamily Lending: The multifamily market remains strong**, and the number of loans picked up again. The number of loans increased 17.5% among banks in this study and by 23.5% in lower-income neighborhoods. The number of multifamily loans qualifying for community development increased as well, up 25%. **While signs of physical and financial distress remain low, rising rents and sales prices – especially in historically more affordable neighborhoods – increase the pressure on lower-income tenants, putting them at risk of displacement.** Banks and non-bank lenders continue lending to known bad actor landlords, but not all of their buildings will appear on distressed lists. If a landlord successfully displaces tenants, the building may never fall into distress. Tenant organizers work directly with people impacted by harmful practices and can be a great source of information for banks that operate in this area.

4. **1-4 Family Lending:** The number of **home purchase loans** was relatively stable from 2014-15 after a sharp decline in 2013. Loans declined 1.2% from 13,610 in 2014 to 13,779 in 2015. This is still well below the 14,471 in 2012 and 15,831 in 2013. Lending to lower-income borrowers increased 3.2% from 1,185 to 1,223, but that is still below the 1,335 in 2012 and 1,373 in 2013. The long-term decline is due in part to the **decrease in lending by the Big Four banks** (Bank of America, Chase, Citibank, and Wells Fargo) and HSBC, but we did note an uptick in lending by the Big Four in 2015. The **rise of non-CRA-covered lenders continues**, particularly in refinance loans and Federal Housing Administration (FHA) lending. 31% of home purchase loans and 51% of refinance loans were made by non-CRA covered lenders. These raise to 79% of FHA home purchase loans and 94% of FHA refinance loans. **Racial disparities persist.** 22% of New Yorkers are Black and 29% Hispanic, yet on average the banks in this study made just 9% of home purchase loans to Blacks and 8.2% to Hispanics. This is barely changed from 2014. We do note that origination rates among Black and

Latino borrowers went up (57.7% to 60.1% for Blacks and from 60.6% to 63% for Hispanic) while denial rates went down (21.5% to 17.8% for Blacks and 20.3% to 17.1% for Hispanics). More banks are offering portfolio products.

5. **Community Development Staff, Community Development Lending, and CRA-Qualified Investments: The amount loaned for community development increased by 22% and the volume by 19%.** CRA-qualified investment dollars decreased by 21%, while the number of investments increased 80%. Loans and investments to nonprofits and community development corporations (CDCs) also increased. The volume to nonprofits is substantial in some cases, but the volume of community development lending to neighborhood-based CDCs in particular remains low overall.

6. **Economic Development and Small Business Lending: Community development loans and investments that fall under the economic development category increased greatly in 2015.** The number of small business loans increased overall in low- to moderate-income tracts, but the amount loaned declined by 19% overall and by 25% ($80 million) in low- to moderate-income tracts. The increases in loans and investments are certainly a positive trend, especially in the grantmaking area. However, the increase in investments is concentrated in just a few banks; the majority made no investments for economic development. Also, we continue to stress that quality matters as much as quantity. While the increase in community development lending is impressive, it seems driven at least in part by commercial banks qualifying many based on the location of the loan rather than the type of jobs created or the impact on lower-income people, which is more a reflection of an improving market than an intentionality around equitable economic development.

7. **CRA-eligible Philanthropic Grants: CRA-eligible grant dollars decreased in 2015, while the number of grants increased.** CRA-eligible grant dollars decreased another 1.8% (down $1.17 million) from 2014-15, following a 3.2% decline (down $2.15 million) from 2013-14. The distribution of grant dollars is unequal, resulting in larger grants to fewer organizations, particularly in some of the larger banks. Most banks continue to dedicate less than one tenth of one percent of their local deposits to grants. **Banks that take CRA most seriously dedicate closer to 0.03% of local deposits to CRA-eligible philanthropy.** We did note that grantmaking to neighborhood-based organizations increased 8.9% by volume and 11.4% by dollar amount in 2015. At four of the largest banks and almost all of the smaller banks, over a third of grants were to neighborhood-based organizations; two of the largest banks and seven of the smaller gave over a third to neighborhood-based organizations by dollar amount.

INTRODUCTION

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

This year's report comes at a unique moment. We are not even 10 years out from the latest financial crisis, which was a direct result of irresponsible behavior by financial institutions that targeted and misled poor and minority communities with expensive and unsustainable loans. Congress was forced to bail out large banks in order to stabilize our financial system. Once the dust settled, they went on to put in place more systemic changes through Dodd-Frank, which instituted a multitude of safeguards for the financial system and also put in place systems to protect consumers, including the creation of the Consumer Financial Protection Bureau, requirements for safer residential mortgages, separation of investment and banking, and capital requirements to ensure banks are better able to absorb losses. Regulators have also been taking steps to better enforce the CRA in recent years – downgrading banks that have been found to engage in discriminatory practices and requiring CRA plans at the time of mergers.

It is in this context that we and advocates nationwide had been working to build upon these advancements to strengthen and expand protections. These have been meaningful steps forward but, we must acknowledge, they are still not enough to protect the communities in which we work. **Low income and minority communities still have trouble opening and maintaining basic bank accounts and accessing credit for home and small business loans, racial disparities in lending persist, and bad actor landlords too easily get access to financing which leads to displacement and poor living conditions.**

Low income and minority communities still have trouble opening and maintaining basic bank accounts and accessing credit for home and small business loans, racial disparities in lending persist, and bad actor landlords too easily get access to financing which leads to displacement and poor living conditions.

Yet, rather than looking forward to working with a new administration to address these issues, what is happening is quite the opposite. We now have an administration that may roll back, defund, and dismantle bank regulations. It is yet to be seen how many can be done unilaterally and which will require congressional approval, but the message is clearly one of defense now. The president will also soon be replacing the chairs of the three federal bank regulatory agencies - the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Federal Reserve Board – which will have a profound impact on bank regulation, including but not limited to the CRA. Meanwhile, the same administration has made clear that it wants to cut funding for affordable housing and social safety net programs and rollback enforcement of discriminatory practices. This puts us at great risk of another collapse or of disenfranchising and harming poor and minority people and communities, or both.

This report outlines many ways in which banks and regulators can respond at any time to the issues our communities face. The CRA is one of the most important laws we have to encourage banks to lend equitably and to partner with nonprofits and governments to support community development in low-income communities. ANHD estimates that over 300,000 units of housing have been built in New York City alone, thanks in part to private loans and investments leveraged by the CRA. We must remember why the CRA was passed in the first place. Our own government instituted racist practices in how it guaranteed loans through the Federal Housing Administration, starting back in the 1930s with a practice known as redlining where people of color were denied credit in their own neighborhoods. Banks continued these trends decades later, often withdrawing from low-income and minority neighborhoods. Where banks still had a presence in low-income minority communities, they refused to make loans to people in those neighborhoods and reduced investment in urban neighborhoods. One only need to look at photos of the Bronx in the 1970s to see what disinvestment looks like and to understand that readily available, sound lending is critical to a healthy housing market and community. While signs of disinvestment certainly persist today, another threat is overinvestment that leaves behind lower-income New Yorkers who can no longer afford to live in the City due to rising rents and a lack of good-paying jobs.

In response to this harmful discriminatory redlining and disinvestment, Congress passed a number of new laws to regulate banking practices and hold banks accountable. The Fair Housing Act of 1968 made discrimination in lending illegal and the Home Mortgage Disclosure Act (HMDA) of 1975 gave the community and regulators new tools to better monitor bank lending practices and enforce anti-discrimination laws. The CRA was passed in 1977 to ensure that banks provide credit and deposit services equitably to the communities in which they do business, including low- to moderate-income communities.

The CRA has also created the expectation that banks provide an adequate number of community development loans, investments, and services to further these goals beyond their core lending and branch services. The fundamental principle of the CRA is that all communities rely on banking services and those services must be provided in an equitable manner. Banks are required to be more than just profit-seeking businesses. They must incorporate significant community benefits into their business models, and work to meet local credit and service needs.

Since 1977, the banking industry has since undergone massive consolidation, two major collapses, and is now increasingly dominated by multi-regional, national, and international institutions. This phenomenon continues to challenge the clear premise of the CRA that banks are required to help meet the credit needs of the local communities in which they do business. Simply put, the CRA requires banks to act locally, but report regionally, which makes accurate analysis difficult. Banks are typically evaluated by CRA regulators at the metropolitan district level or the metropolitan statistical area (MSA) level and often in multiple areas. New York City is in the White-Plains-NY-NJ metropolitan district, which is in the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA. The MSA covers 24 counties in three states, from Ulster and Dutchess counties in upstate New York, down to Monmouth and Ocean Counties in New Jersey. Some banks also get credit for reinvestment at the regional, state, and national level even if they have no direct impact on their assessment area. All banks get CRA credit for loans, investments, and services in their total assessment area and these are rarely broken down by year or by county. In recent years, we have been pleased to see that the FDIC and the Federal Reserve Board have been much more consistent in breaking down CRA community development data by category and by year, but still at the assessment area level. Unfortunately, the Office of the Comptroller of the Currency (OCC) has not done the same. The OCC regulates the largest retail banks in the country, but provides just brief summaries by assessment area, with no consistent breakdown by year or by category. They also tend to release exams three or more years after the exam, making public examination of CRA data difficult or impossible.

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

ANHD believes that bank reinvestment-related activity – lending, investments and services directed towards low- and moderate-income residents and neighborhoods – should be substantial, and in proportion to each bank's locally-held deposit base. We compare all banks to one another broadly and to their peers as the largest retail banks ($50 billion or more in assets), smaller retail banks (fewer than $50 billion in assets) and wholesale banks. For the purposes of the CRA, low-income is defined as 50% area median income (AMI) and moderate-income as 80% AMI, and in most cases is based on decennial census data. The AMI was found to be $66,000 in 2013, $68,900 in 2014, and

$71,300 in 2015. In 2015, this put low-income at $35,650 and moderate-income at $57,040. But we must note that the AMI for New York City has historically been lower than the regional AMI. And, of course, the incomes vary greatly from neighborhood to neighborhood. We encourage banks to support projects that benefit lower incomes than just those defined as low- and moderate-income under the CRA.

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

As always, we stress that quality matters as much as quantity. Thus, rather than one overall ranking, we continue to use the more nuanced version of the reinvestment index 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.

We recognize that this report has multiple audiences: banks, legislators and bank regulators, community organizations, and allies. This year, we are using a new format in an attempt to make the report easier for all audiences to use. The report covers the same areas as prior years, but puts some together so that we have seven sections:

1) Deposits and the reinvestment quantity and quality indexes;
2) Branches and banking products;
3) Multifamily lending;
4) 1-4 family lending;
5) Community development staff, community development lending, and CRA-qualified investments;
6) Small business lending and economic development under the CRA; and
7) CRA-eligible philanthropic grants.

Each section has four components:

- **Background:** An explanation of the area being analyzed as well as context for what we are analyzing and why.
- **Principles:** A set of overall best practices and recommendations. This includes specific recommendations as well as general ideas that can serve as guiding principles to inform how banks approach their work in this area.
- **Trends & Findings:** Detailed findings from the data ANHD collects directly from banks and from additional sources.
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DEPOSITS, & REINVESTMENT QUANTITY INDEX & QUALITY SCORE

BACKGROUND

The basic principle of the CRA is that if a bank takes deposits or does business in a neighborhood, it must provide all of its services equitably. This comes with a continuing and affirmative obligation to help meet the credit needs of low- and moderate-income neighborhoods in particular. While nowhere near perfect, the CRA is still one of the most effective tools we have to bring banks to the table to invest in low- and moderate-income communities through loans, investments, and services.

The quality of this reinvestment matters just as much as quantity, and this report goes to great lengths to measure both. Rather than create one overall ranking, we developed a **QUANTITY Index** to assess the banks' volume of reinvestment dollars loaned and invested and a **QUALITY Score** to compare the quality of that lending based on factors we believe indicate a strong commitment to local communities.

CRA regulators use a combination of deposits, assets, and Tier 1 Capital to estimate their expectation for the volume of a bank's CRA activities. 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 banks' local deposits in New York City. In order to match yearly reporting to the FDIC, we use deposits as of June 30th of each year.

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 is the third largest deposit holder in the nation, yet still has a relatively low local deposit base because of its small branch presence – only 21 branches versus closer to 150 or more for the larger banks. Wells Fargo remains a major player in the home lending market. Wells Fargo made just over a quarter of home purchase loans in 2012. This dropped to 16% in 2015, which is still a large percentage, representing over 4,500 loans. By our measure, it has a smaller obligation than any of the other "Big Four" banks that have larger branch networks and deposit bases. At the other end of the spectrum is Chase, which has by far the largest local deposit base, and thus the largest obligation, but we must acknowledge that may be a little misleading. Chase is based in New York City and certainly has a large presence, but we also know that it books business deposits in New York City that come from outside the City. However, other banks, too, book out-of-town business deposits in the City and, given the lack of other local data – such as Tier 1 capital or the amount of business done specifically in New York City – we believe it is overall the best, most straightforward and objective system. This system also serves to hold accountable all banks with a presence in our city, even if it is not one of their main assessment areas. 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.

When analyzing the reinvestment volume and quality scores, we distinguish between community development lending and investments, and core consumer and commercial lending activity. Community development loans and investments typically take longer to put together, require more specialized staff and intentionality, and must be made with an explicit community development purpose, such as building and rehabilitating affordable housing, creating jobs, and providing community facilities. Banks are expected to do a certain volume of these loans and investments and ANHD believes banks should demonstrate both quantity and quality here. Core consumer and commercial lending is just as important, but typically relates more to a bank's main business and should be analyzed for volume, quality, and fair lending. Not all banks make multifamily, 1-4 family, and small business loans, but within any loans they do originate, they must lend equitably and responsibly to lower-income borrowers and neighborhoods. For example, a bank that originates 1-4 family mortgages should lend at sufficient volumes and also have dedicated staff and affordable products that give lower-income borrowers the best chance of successful homeownership through pre-purchase counseling and financial assistance. Likewise, banks that originate multifamily loans should ensure that the loans are responsibly underwritten and made to landlords that will preserve affordability, maintain the properties, and respect the rights of the tenants. ANHD believes that multifamily loans submitted for community development credit are a better indication of how well banks are, or should be, paying attention to these factors. They are also more likely to receive greater scrutiny under the CRA as to how well they are meeting the needs of lower-income people or neighborhoods, and thus we use those loans in the volume index. For the quality score analysis, we excluded banks that made fewer than 10 loans in any core lending category.

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

QUANTITY INDEX & QUALITY SCORE EXPLAINED

Rather than assigning one ranking to each bank, ANHD has developed a more nuanced tool to measure and compare the volume and quality of bank reinvestment. An overall reinvestment volume index measures the full range of reinvestment lending and investments by volume as compared to locally held deposits. These activities are separated broadly into two categories: *1) community development reinvestment*, and *2) core consumer and commercial lending reinvestment*. The overall reinvestment quality score evaluates how the banks' loans, investments, and services compare to one another on a range of factors that have an impact beyond the dollar amount.

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

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

Core Consumer and Commercial Lending Reinvestment includes:

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

We also incorporate **Branch distribution and staff** in the scores.

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

Overall QUANTITY 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 quantity Index, which is the sum of two individual indexes: *1) Community Development Index*, and *2) Core Consumer and Commercial Lending Index*. We do recognize that some community development loans and investments may take longer to close, resulting in some fluctuations in community development indexes from year to year.

OVERALL QUANTITY INDEX (SUM OF THESE TWO INDEXES)

Community Development (CD) Quantity Index Community development lending, CRA-qualified investments, and CRA-eligible grants ÷ Local deposits	+	Core Consumer & Commercial Quantity Index Home purchase and refinance loans to low- and moderate-income (LMI) individuals borrowers, small business loans in LMI tracts & multifamily community development loans ÷ Local deposits

Overall QUALITY Score: Banks are evaluated based on their performance relative to one another on a variety of factors that indicate the investment is likely to have a larger impact than simply the dollar amount. This also enables us to compare service and responsiveness to lower-income communities where there is not a dollar amount associated with it. For example, loans and investments to nonprofits in general, and to community development corporations (CDCs) in particular, are typically more impactful. CDCs are locally controlled nonprofits committed to providing permanent affordable housing with deep affordability and ancillary services that go beyond housing to strengthen and empower families and communities. CRA-eligible grants are the only investment for which banks do not get a return on investment and, because they are so much smaller than other loans and investments, they do not carry much weight in the reinvestment volume index. For that reason, we include percentage of deposits to grants in the quality score. No other quality factor compares volume. For each factor, we assign points based on the median value of all banks within their respective classification – larger, smaller, and wholesale. Banks with values of the median +/- 20% get a score of "3", banks below that range get a "1" and banks above it get a "5". A bank gets "0" if they did not provide information that is not publicly available. 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 QUALITY SCORE (AVERAGE OF THESE THREE INDIVIDUAL SCORES)

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

PRINCIPLES

- **As bank deposits increase in New York City, their reinvestment dollars should increase as well.**

  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.

- **The quantity of reinvestment dollars matters. The volume of loans, investments, and grants across the spectrum of activities is a significant indication of a bank's commitment to the CRA.**

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

- **The quality of reinvestment is just as important as the quantity.**

  Banks must ensure that their dollars reinvested for loans, investments, and services are intentional in truly helping meet the credit needs of lower-income, minority, and immigrant New Yorkers. **Banks should strive for a quality score above "3". A quality score above "3" indicates they beat their peers in more areas than they lag with regards to the percentage of activities that have the biggest impact.** This represents a commitment to fair lending and to factors that have an impact beyond simply the dollar amount.

TRENDS & FINDINGS

- **Deposits increased 8.2% in 2015 overall and 7.2% outside of Manhattan.**

  Seven banks increased deposits and decreased reinvestment dollars.

TABLE 1: DEPOSITS IN ALL FIVE BOROUGHS (b)

	2013		2014		2013-14		2015		2014-15	
	National Deposits (BHC)	NYC Deposits	National Deposits (BHC)	NYC Deposits	% change National	% change NYC	National Deposits (BHC)	NYC	% change National	% change NYC
Largest Retail	$4,156	$602	$4,447	$666.20	7%	10.6%	$4,585	$718	3.1%	7.8%
Smaller Retail	$125	$39.09	$133.31	$44.17	7%	13%	$146	$50.93	9.7%	15.3%
Total Retail Banks	$4,281	$870	$4,580	$710	7%	10.8%	$4,731	$769	$3.3%	8.2%
Wholesale	$309	$228	$388	$279	25.8%	22.2%	$431	$302	11%	8.3%
Total	**$4,590**	**$869.77**	**$4,968**	**$990**	**8.3%**	**13.8%**	**$5,162**	**$1071**	**3.9%**	**8.2%**

TABLE 2: OUTER BOROUGHS ONLY (21 RETAIL BANKS): BRONX, BROOKLYN, QUEENS, AND STATEN ISLAND (b)

	2013	2014	% change 2013-14	2015	% change 2014-15
Largest Banks	$74.22	$76.94	3.7%	$83.38	8.4%
Smaller Banks	$22.57	$23.27	3.1%	$24.05	3.4%
Total	**$96.79**	**$100**	**3.5%**	**$107**	**7.2%**

Deposits among the major New York City banks continued to increase. Among the 25 banks in our study, deposits went up 8.3%, from $989.61 billion in 2014 to $1.07 *trillion* in 2015. We treat wholesale banks differently because they do not have a traditional branch and deposit structure like the retail banks. We use their national deposits for the benchmark. In order to

TABLE 3: NEW YORK CITY DEPOSITS IN AND OUTSIDE OF MANHATTAN 2013-15 ($ BILLIONS)											
All New York City Deposits							**Outer boroughs**				
	2013	**2014**	**% Change 2013-14**	**2015**	**% Change 2014-15**	**Reinvestment Quantity ($) Change 2014-15**	**2013**	**2014**	**% Change 2013-14**	**2015**	**% Change 2014-15**
Largest											
Bank of America	$47.55	$52.31	10.0%	$63.96	22.3%	⇧	$2.85	$3.22	12.9%	$3.82	18.7%
HSBC	$53.28	$67.26	26.2%	$80.04	19.0%	⇩	$7.15	$5.73	-19.8%	$5.21	-9.0%
Wells Fargo	$13.26	$15.76	18.8%	$18.36	16.5%	⇩	$0.09	$0.09	2.9%	$0.10	1.6%
Santander	$8.13	$8.73	7.4%	$10.06	15.2%	⇧	$6.87	$6.90	0.5%	$7.63	10.5%
Capital One	$22.86	$24.12	5.5%	$26.91	11.5%	⇧	$9.06	$9.13	0.8%	$10.81	18.3%
TD Bank	$13.28	$15.06	13.4%	$16.79	11.5%	⇧	$5.86	$6.59	12.5%	$7.55	14.5%
Citibank	$56.24	$59.27	5.4%	$61.75	4.2%	⇩	$15.27	$15.94	4.4%	$16.44	3.2%
Chase	$385	$420	9.2%	$437	3.9%	⇩	$26.75	$28.98	8.3%	$31.47	8.6%
M&T Bank	$2.67	$3.21	20.4%	$3.28	2.2%	⇩	$0.33	$0.35	7.0%	$0.36	2.3%
Smaller											
BankUnited	$0.07	$0.97	1,210%	$1.84	90.5%	⇧			-	$0.01	from 0
Popular Community Bank	$2.50	$2.38	-4.8%	$3.40	42.7%	⇧	$1.16	$1.09	-6.3%	$1.05	-3.1%
Valley National Bank	$1.60	$1.77	10.6%	$2.27	28.6%	⇧	$0.37	$0.45	19.3%	$0.62	37.9%
Signature Bank	$11.41	$15.10	32.4%	$19.22	27.3%	⇧	$2.48	$2.88	16.3%	$3.43	19.1%
Flushing Bank	$1.21	$1.19	-1.5%	$1.33	11.4%	⇧	$1.10	$1.08	-1.6%	$1.18	9.7%
Dime	$1.97	$2.00	1.5%	$2.18	8.6%	⇧	$1.97	$2.00	1.5%	$2.18	8.6%
Carver	$0.49	$0.53	6.9%	$0.55	5.1%	⇧	$0.28	$0.28	-2.3%	$0.26	-7.2%
Apple Bank	$6.76	$6.73	-0.5%	$6.87	2.2%	⇧	$3.53	$3.48	-1.3%	$3.51	0.6%
Ridgewood Savings Bank	$2.74	$2.69	-1.8%	$2.67	-0.6%	⇧	$2.59	$2.56	-1.4%	$2.54	-0.5%
New York Community Bank	$5.80	$6.39	10.1%	$6.30	-1.4%	⇩	$5.40	$5.95	10.0%	$5.88	-1.1%
Astoria Bank	$3.68	$3.55	-3.5%	$3.46	-2.3%	⇧	$3.68	$3.51	-4.5%	$3.40	-3.2%
Emigrant	$0.85	$0.87	2.6%	$0.82	-5.8%	⇩			-		-
Wholesale											
Goldman Sachs	$119	$144	21.0%	$156	8.0%	⇧	N/A				
Morgan Stanley	$30.26	$51.01	68.5%	$42.68	-16.3%	⇩					
Deutsche Bank	$65.38	$64.63	-1.2%	$77.84	20.4%	⇩					
BNY Mellon	$13.74	$19.57	42.4%	$26.33	34.6%	⇩					

match yearly reporting to the FDIC, we use deposits as of June 30th of each year. Among the retail banks only, the increase was about the same – up 8.2% from $710 billion to $769 billion.

All of the nine largest retail banks with assets over $50 billion continued to increase their locally held deposits. In 2015, Bank of America increased its deposits by over 22%, followed by HSBC and Wells Fargo at 19% and 16.6%, respectively. TD Bank and Bank of America have been opening branches and their deposits are increasing accordingly. Despite closing branches, Capital One's deposits continue to increase. Collectively, the smaller banks' deposits also increased in 2015, but four banks' deposits decreased. Emigrant decreased the most, but their business model has changed greatly since selling their branch network to Apple Bank in 2013. Astoria Bank's deposits continued to decrease. Popular Community Bank's deposits had been declining for a few years. Their acquisition of three Doral Bank branches likely contributed to the 43% increase in 2015. BankUnited is still fairly new to New York City, and their large increase in deposits is more a reflection of new activity as they gain a foothold in Manhattan and Brooklyn.

It also helps to look at trends outside of Manhattan as those are much more likely to be truly local deposits. Out-of-state business deposits would likely be booked in Manhattan. For example, as HSBC closes offices nationwide, they are booking more deposits in New York City, thus driving the increase in Manhattan. Their deposits increased by 26% citywide in 2014 another 19% in 2015, but decreased 20% in the outer boroughs in 2014 and another 9% in 2015. Most other large banks increased deposits in and outside of Manhattan in 2015, with Bank of America, Capital One, and TD Bank increasing the most outside of Manhattan. As mentioned above, the increase at Bank of America and TD Bank coincides with their opening branches over the years, including many outside of Manhattan. Capital One, however, has been closing branches for years in the outer boroughs. Wealth in New York City has long been concentrated in Manhattan and the income gap continues to grow. It is imperative that as bank deposits rise citywide, that bank reinvestment rises as well and be distributed equitably, with particular emphasis on low-income, minority, and immigrant people and communities throughout New York City.

- **Reinvestment dollars declined 8.5% in 2015: Core Consumer & Commercial Reinvestment decreased 19% while Community Development Reinvestment increased 3.7%.**

  Nine banks have a quantity index over 5%, up from just five in 2014.

Following a few years of increases, the overall quantity of reinvestment dollars decreased in 2015. Core Consumer & Commercial Lending decreased by 19%, whereas Community Development Reinvestment increased 3.7%. When looking at the individual areas within each of these larger categories, we see that the biggest increases were in community development lending, which went up 22%, followed by home purchase loans to lower income borrowers, which went up 9.6%. Refinance lending to lower income borrowers increased just 3.7%. We saw the biggest decline in small business lending in low- to moderate-income tracts, down 24%, but as will be discussed in more depth elsewhere, the number of these loans increased by 63%. Multifamily community development lending declined by 17% and CRA-qualified investments did by 21%. Grants were also down by 1.8%.

It is unclear why multifamily community development lending decreased as much as it did. Perhaps as rents go up, fewer buildings are affordable. It is also possible that banks are holding back buildings they know will not get credit because of conditions in the buildings. This would be a more positive trend if the guidance ultimately deters banks from making those loans at all. The decline in CRA-qualified investments follows a sharp increase in 2014 and likely reflects normal fluctuations in these types of deals.

Community development lending, however, includes both intentional deals with nonprofit sponsors as well as commercial lending that coincides with a bank's business model. The increase in lending probably had to do somewhat with improvements in the market overall and included loans made in the normal course of business that also qualified for community development credit, most likely because of their location in a low- or moderate-income census tract.

Seven banks' deposits increased, yet their reinvestment dollars decreased. But, this includes HSBC and Wells Fargo, for which we do not have community development data. New York Community Bank's deposits only decreased by 1.4% but their reinvestment dollars went down 27%. M&T Bank's deposits increased by 2%, but their reinvestment went down by almost half. Chase, too, declined sharply.

On the other end of the spectrum, we are pleased to see large increases in reinvestment dollars at a number of banks, including Santander, TD Bank, and Valley National Bank, as well as Apple Bank, Carver, and Popular Community Bank. Some of these increases are due to the market changes, as mentioned above. But, at Valley National Bank, we recognize this also has to do with a concerted effort to increase community development activities. 2015 was the first full year since they implemented their CRA plan, following the merger with 1st United Bank in Florida. We appreciate the effort the bank has been making to develop new products, make connections with local organizations,

2014 Quantity Index	2015 Quantity Index
Reinvestment dollars: $12.1 billion / Deposits: $989 million	**Reinvestment dollars $11.1 billion / Deposits: $1.1 trillion**
Total Quantity Index = 1.22% Average Quantity Index = 5.50% Median Quantity Index = 1.20%	Total Quantity Index = 1.03% (⇩) Average Quantity Index = 5.05% (⇩) Median Quantity Index = 2.79% (⇧)

TABLE 4: OVERALL REINVESTMENT DOLLARS 2014-15 (BILLIONS)

	2013	2014	2013-14	2014	2015	2014-15
Core Consumer & Commercial Lending	$5.22	$6.5	25.2%	$6.5	$5.26	-19%
Community Development*	$4.77	$5.61	17.6%	$5.61	$5.82	3.7%
Overall	$9.96	$12.1	21.6%	$12.1	$11.1	-8.5%

* Note: Wells Fargo and HSBC's community development activity brings the Community Development Reinvestment to $6.1 billion in 2013. We do not have data for those banks in 2014 or 2015. Flushing Bank 2013-14 data was from the CRA exam. We do not have updated data, so the year-to-year decline in core lending may be smaller.

TABLE 5: REINVESTMENT DOLLARS BY CATEGORY 2014-15 ($ MILLIONS)

	2014	2015	2014-15	# banks 2014-15
Multifamily Lending in LMI Tracts (for reference)	$7,357	$9,980	35.7%	21
Multifamily Community Development Lending	$5,704	$4,741	-16.9%	18
Small Business Loans	$332	$251	-24.3%	20
Home Purchase Loans to LMI borrowers	$177	$194	9.6%	21
Refinance Loans to LMI borrowers	$72.00	$74.67	3.7%	21
Community Development Lending	$3,189	$3,900	22.3%	21
CRA Qualified Investments	$2,335	$1,856	-20.5%	20
CRA-eligible Grants	$66.12	$64.95	-1.8%	19

and actually make new loans and investments in New York City and throughout their footprint. Santander too, after years of very low levels of activity, has brought on new community development staff in New York City and has been ramping up loans and investments, particularly in multifamily community development lending, and also in CRA-qualified investments and grants. Three of the four wholesale banks decreased community development activity, but we must note that the decline at Deutsche Bank was at least partly because they made one very large investment in 2014 that was not replicated at that scale in 2015. Their community development lending declined by 32% while their grant dollars nearly doubled.

The $11.1 billion in reinvestments equals 1.03% of total local deposits, down from 1.2% in 2014 and 1.3% in 2013. Among all 25 banks, the average quality index was 5.1%, down from 5.6% in 2014, and the median at 2.8%, up from 1.3% in 2014. In 2015, nine banks had a quality index over 5%, up from just five in 2014. Among the largest banks, only M&T Bank had a quality index over 5% and that is because of their relatively small deposit base. They are based in Buffalo and hold most of their deposits outside of New York City. Capital One, Citibank, Santander, and TD Bank all exceeded 2% of their local deposits, with Capital One close to 3%.

- **Quality Score: 6 banks scored over 3, down from 8 in 2014.**

Capital One and Citibank continue to stand out for having relatively high overall quantity indexes and high quality scores. Citibank has long been recognized for its community development team, and has been making greater strides in lending to nonprofits and CDCs and also making more grants to neighborhood-based organizations. Bank of America's score increased over 2014, reflecting improvements in core lending and service. Santander too is inching up as they are doing more in New York City. Particularly notable is their improvement in core lending. Chase's large deposit base once again contributes to its low quantity index. They have historically ranked higher on the quality indicators, but they dropped below "3" in 2015. Chase continues to make a large percentage of community development loans to nonprofits, but few investments were in nonprofits and fewer loans were for affordable housing in 2015. They still do not report on loans to CDCs or grants to neighborhood-based organizations. We understand they still support CDCs through their loans, but clearly grantmaking went down and likely impacted organizations large and small.

Of the smaller banks, we are pleased to see Valley National Bank's improvement over 2014 and prior years. Their quantity index is up at 11.9% now and their quality score is up to 2.33, from 1.5 in 2014. This is a reflection of increased reinvestment and a more targeted strategy to better reach lower-income New Yorkers. Carver's volume increased in 2015 and remains mission-driven to serve lower-income communities of color. Carver is now the only bank in this study to accept the New York City Municipal ID ("IDNYC") as primary identification. Popular Community Bank and BankUnited both did in 2015 but discontinued the practice in 2016, now only accepting it as secondary identification.

It is difficult to rank just four wholesale banks, especially in categories where we do not have data for all four banks. However, it does give us a measure of their activity. As in prior years, we appreciate the intentionality of Deutsche Bank, Goldman Sachs, and Morgan Stanley, each standing out in different areas. BNY Mellon continues to provide data, but much less than their peers. We believe they have the opportunity to do more in New York City, but we appreciate the programs and partnerships they have.

Of course, no single tool can capture every aspect of good community development, which is why this more nuanced score can help highlight specific areas of strength and weakness. Santander, for example, ranks relatively high in its core lending, indicating they are lending equitably compared to their peers, but their service score indicates they have room for improvement in branching and some aspects of their bank products.

This is also evident among banks that are on either end of the spectrum with regards to deposits. For example, Chase with over $400 billion in deposits will always rank low in its quantity index. New York Community Bank is the biggest multifamily lender in the City and that represents a core business for the bank, which is clearly reflected in its very high quantity index – typically over 40% or 50% of local deposits. Similarly M&T Bank has a low deposit base relative to its peers, which drives up its quantity index.

TABLE 6: OVERALL REINVESTMENT DOLLARS AND QUANTITY INDEX BY BANK 2015 ($ MILLIONS)

	Deposits ($ billions)		Community Development		Core Consumer Lending			Overall Reinvestment Dollars		Overall Quantity Index	
	Deposits	% change 2014-15	CD Reinv.	CD Index	Core Reinv.	Core Index		Reinv.	% change 2014-15	Quantity Index	% change 2014-15
Largest											
M&T Bank	$3.28	2.2%	$245	7.45%	$31.74	0.97%		**$276**	-48.8%	**8.42%**	-50%
Capital One	$26.91	11.5%	$571	2.12%	$217	0.81%		**$788**	7.10%	**2.93%**	-4%
Santander	$10.06	15.2%	$92.92	0.92%	$188	1.87%		**$281**	207%	**2.79%**	167%
TD Bank	$16.79	11.5%	$406	2.42%	$24.47	0.15%		**$430**	502%	**2.56%**	440%
Citibank	$61.75	4.2%	$1,035	1.68%	$339	0.55%		**$1,374**	-26.7%	**2.23%**	-29.6%
Bank of America	$63.96	22.3%	$306	0.48%	$132	0.21%		**$437**	45.1%	**0.68%**	18.60%
Wells Fargo	$18.36	16.5%			$70.04	0.38%		**$70.04**	-8%	**0.38%**	-21%
Chase	$437	3.9%	$602	0.14%	$280	0.06%		**$883**	-23%	**0.20%**	-25.9%
HSBC	$80.04	19%			$40.12	0.05%		**$40.12**	-13.2%	**0.05%**	-27%
Smaller											
New York Community	$6.30	-1.4%	$488	7.74%	$2,195	34.9%		**$2,683**	-26.8%	**42.6%**	-25.8%
Valley National Bank	$2.27	28.6%	$194	8.52%	$76.10	3.35%		**$270**	2251%	**11.9%**	1729%
Carver	$0.55	5.1%	$31.87	5.76%	$19.38	3.50%		**$51.25**	191%	**9.26%**	177%
Dime	$2.18	8.6%	$0.32	0.01%	$170	7.82%		**$171**	2.7%	**7.84%**	-5.4%
Signature Bank	$19.22	27.3%	$534	2.78%	$926	4.82%		**$1,461**	19.6%	**7.60%**	-6.1%
BankUnited	$1.84	90.5%	$3.81	0.21%	$102	5.52%		**$105**	317%	**5.73%**	119%
Astoria Bank	$3.46	-2.3%	$12.81	0.37%	$177	5.1%		**$190**	10.8%	**5.47%**	13.4%
Ridgewood Savings Bank	$2.67	-0.6%	$20.84	0.78%	$114	4.27%		**$135**	99%	**5.05%**	100%
Popular Community Bank	$3.40	42.7%	$144	4.25%	$11.21	0.33%		**$156**	221%	**4.58%**	125%
Apple Bank	$6.87	2.2%	$72.20	1.05%	$137	2%		**$209**	733%	**3.05%**	716%
Emigrant	$0.82	-5.8%			$9.39	1.14%		**$9.39**	-7.9%	**1.14%**	-2.2%
Flushing Bank	$1.33	11.4%						***$0.84***		***0.06%***	
Wholesale											
Goldman Sachs	$77.84	20.4%	$414	0.53%	*Not applicable*			**$414**	17.1%	**0.53%**	-2.8%
Morgan Stanley	$26.33	34.6%	$160	0.61%				**$160**	-38.5%	**0.61%**	-54.3%
Deutsche Bank	$42.68	-16.3%	$191	0.45%				**$191**	-63%	**0.45%**	-55.7%
BNY Mellon	$156	8%	$295	0.19%				**$295**	-31.1%	**0.19%**	-36.2%

TABLE 7: 2015 QUALITY SCORE										
	Core	**Comm. Devt**	**Service**	**Total**			**Core**	**Comm. Devt**	**Service**	**Total**
Largest						**Smaller**				
Citibank	4.00	3.00	4.00	3.67		Carver	4.00	3.67	4.50	4.06
Capital One	4.00	3.83	3.00	3.61		Popular Community Bank	3.75	3.33	4.50	3.86
M&T Bank	3.20	2.67	3.00	2.96		Ridgewood Savings Bank	2.75	3.67	2.50	2.97
Chase	3.00	2.80	3.00	2.93		New York Community Bank	3.40	3.00	2.00	2.80
Bank of America	2.60	2.33	3.50	2.81		BankUnited	1.80	3.50	3.00	2.77
Santander	3.80	2.83	1.50	2.71		Apple Bank	2.50	2.55	3.00	2.68
TD Bank	2.33	3.17	2.00	2.50		Astoria Bank	2.80	2.83	2.00	2.54
HSBC	3.67	0.14	2.75	2.19		Valley National Bank	2.00	3.00	2.00	2.33
Wells Fargo	1.56	0.14	1.25	0.98		Dime	1.50	2.00	3.00	2.17
Wholesale						Flushing Bank	3.33	0.14	2.75	2.08
Deutsche Bank	N/A	3.36	4.00	3.68		Signature Bank	2.33	1.44	2.00	1.93
Morgan Stanley		2.13	4.00	3.06		Emigrant	3.00	0.14	0.67	1.27
Goldman Sachs		2.27	3.00	2.64						
BNY Mellon		0.78	2.00	1.39						

Typically, some of the smaller local and regional retail banks do their community development lending through multifamily mortgages. Multifamily lenders like Dime and Ridgewood Savings Bank make very few other types of community development loans. This serves to both remind them to consider other types of lending and also to ensure that the multifamily loans are of the highest quality so as to preserve affordable housing and minimize displacement of lower-income tenants.

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

RECOMMENDATIONS

- 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. As bank deposits increase in New York City, their reinvestment dollars should increase as well.
- **All banks should commit to reinvesting 5% or more of local deposits dedicated to the full range of targeted, strategic reinvestment lending and investments that specifically benefit low- and moderate-income communities.** Banks close to or over the 5% quantity index goal should strive to reach or exceed that goal in a responsible manner. Banks well below 5% should take incremental steps and build up the infrastructure (staff and resources) to support deals, large and small, that target the unique community development needs of New York City communities. Reinvestment activities should include meaningful levels of both core and community development reinvestment.
- **Banks should strive for a quality score above "3", indicating they beat their peers in more areas than they lagged with regards to the percentage of activities that have the biggest impact.** This represents a commitment to fair lending and to factors that have an impact beyond simply the dollar amount.
- **Regulators should do everything in their power to increase the effectiveness of the CRA. They should:**
    - **Require a CRA Plan** as a condition of every merger and acquisition.
    - Hold banks to the highest standards as they **implement recent changes to the CRA made through the latest "Interagency Questions and Answers Regarding Community Reinvestment" (Q&A) revision.**
    - Downgrade CRA scores when banks are found to engage in irresponsible behavior
    - **Improve the CRA Exam process** through **training for examiners**, more **uniformity and disclosure** in the CRA performance evaluations, and **increased outreach** to the community at the time of exams and mergers.

BRANCHES & BANK PRODUCTS

BACKGROUND

When the CRA was first written in 1977, many banks refused to open branches and invest deposits in low-income communities and neighborhoods of color. As a result, CRA exams have traditionally focused almost exclusively on the number of branches in low- and moderate-income communities, with some ancillary discussion of hours of service and types of products offered. Community groups fought long and hard to simply get banks to open branches in underserved neighborhoods. Forty years later, we still struggle to get banks to open – and not close – branches in unbanked and underbanked areas. New Yorkers today face additional barriers to banking due to issues of cost and identification. We will discuss both in this section.

The banking world has changed since the 1970s, particularly with the rise of online and mobile phone banking, but physical bank branches remain important for many, including small businesses, as well as low-income and immigrant people and communities, and the elderly. Increasing bank branches has a direct impact on small business lending and can lead to individual wealth-building through opening savings accounts and establishing credit history. Their absence opens the door to predatory businesses, such as check cashers and pawn shops[1]. Multiple studies, such as the 2014 *Banking in Color* study, show that low-income people of color still rely upon the presence of bank branches to conduct financial transactions[2].

But, we cannot lose sight of the fact that this means a quarter of underbanked households and over half of unbanked households do not have a smart phone and only 32% of banked households used mobile banking.

The vast majority of bank branches in New York City are in Manhattan below 96th Street. In upper Manhattan and in the outer boroughs, they are sparser and tend to be clustered along commercial corridors, leaving low-income communities of color with very few options. Access to banking and credit is more complicated as banks are closing branches and expanding mobile and online options. But, challenges remain for many to access these products and branches remain important.

The most recent 2015 FDIC banking study shows that nearly a third of households (30%) in the New York area are unbanked or underbanked, higher than the 27% nationwide[3]. In the same area, nearly 720,000 households (8.9%) are completely unbanked. The percentages of unbanked and underbanked households were much higher for Black, Latino, and low-income households. While some progress has been made in the percentage of unbanked, the stagnant rate of underbanked indicates that banks are still not meeting the full banking needs of their customers. They also found that while most unbanked and underbanked people do not have computers, increasing numbers have cell phones and smart phones: 42.9% of unbanked households now have smartphones, up from 33% in 2013, and 75.5% of underbanked, up from 64.5%. **But, we cannot lose sight of the fact that this means a quarter of underbanked households and over half of unbanked households do not have a smart phone and only 32% of**

1 Silver, J. & Pradhan, A. (2012, April): "Why Branch Closures are Bad for Communities", Issue Brief by the National Community Reinvestment Coalition:

2 The Alliance for Stabilizing our Communities (ASOC) (2014) "*Banking in Color: New Findings on Financial Access for Low- to Moderate-Income Communities*"

3 FDIC, 2015 *FDIC National Survey of Unbanked and Underbanked Households*, by Susan Burhouse, Karyen Chu, Keith Ernst, Ryan Goodstein, Alicia Lloro , Gregory Lyons, Joyce Northwood, Yazmin Osaki, Sherrie Rhine , Dhruv Sharma,Jeffrey Weinstein

banked households in the study used mobile banking[4].

Multiple factors contribute to people being unbanked or underbanked. The most common reason people do not have a bank account is because they do not have enough money. Additional but related reasons have to do with a lack of trust in banks and high and hidden fees, such as those associated with overdrafts and monthly maintenance fees.

The annual Pew report on overdraft practices finds that service charges on bank deposit accounts more than doubled from 1984 to 2015. Banks with over $1 billion in assets took in $11.16 billion in overdraft fees, which constituted nearly two-thirds of all service fees. The customers most impacted by overdrafts earn less than $50,000 a year[5]. We also know from other studies, such as the Northwest Queens Financial Education Network*'s Bridging the Gap,* the importance of language access and cultural competency in effectively serving immigrant communities.[6]

Another barrier to banking for immigrants and other populations is a lack of identification such as a U.S. passport or a New York State driver's license. Some banks accept alternate forms of identification such as foreign passports or consular ID cards, but that is not universal and sometimes not enough. ANHD recommends that all banks also accept New York City's municipal identification card, "IDNYC," as a primary form of identification to open a bank account.

We appreciate that the bank CRA regulators recently implemented changes to the exam process, which place greater emphasis on the cost and use of products. Our analysis here looks at both branch locations and the qualities and costs of products offered. While by no means exhaustive, we feel it gives a good basis by which to evaluate how banks are serving their communities through their branches and banking products.

PRINCIPLES

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 and maintain branches in underserved areas to make banking available to all New Yorkers. 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. While few banks are opening new branches, we note that when they do, they tend to be in areas where branches already exist. Thus, we encourage banks to open branches in areas that are unbanked or underbanked and to partner with local nonprofits to ensure they successfully reach new customers through their products and practices.
- **Every bank should offer a safe affordable bank account that includes:**
    - Low monthly fees that can be waived with reasonable transaction requirements and allows for basic transactions (make payments, deposits, and withdrawals), low or no minimum balance requirements, and low initial deposit requirements.
    - Acceptance of alternate forms of identification in addition to a social security card to open an account All banks should accept the IDNYC as primary identification.
    - Allowance of people with prior banking issues a way to reenter the banking mainstream.
    - An option for no overdrafts and adopt the Pew guidelines for best practices on overdraft policies and disclosures, which includes no overdrafts on ATM and debit cards and no reordering of transactions from high to low.

4 Ibid
5 Pew Charitable Trusts (2016) *"Consumers Need Protection From Excessive Overdraft Costs"*
6 Northwest Queens Financial Education Network (2015*), "Bridging the Gap: Overcoming Barriers to Immigrant Financial Empowerment in Northwest Queens"*

- More than just new products. They must be advertised and promoted widely, available everywhere, and understood and marketed by all branch staff so that any customer will have it readily available to them. Banks should demonstrate their effectiveness and modify products that are not reaching underserved populations.

o **Every bank should be affirmatively meeting the specific banking needs of the lower-income and immigrant communities they serve. Banks should:**

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

TABLE 8: TABLE 8: HIGHEST PERCENTAGES OF BRANCHES IN LOW- AND MODERATE-INCOME (LMI) CENSUS TRACTS (2015)

Percentages of branches in low- and moderate-income (LMI) tracts

	2014			2015		
	Total	**LMI**	**% LMI**	**Total**	**LMI**	**% LMI**
Largest						
Chase	383	134	35%	372	133	35.8%
Bank of America	115	40	34.8%	119	41	34.5%
HSBC	100	30	30%	94	31	33%
Capital One	141	46	32.6%	135	44	32.6%
Citibank	152	47	30.9%	152	47	30.9%
M&T Bank	13	3	23.1%	12	3	25%
Santander	70	15	21.4%	71	16	22.5%
TD Bank	116	24	20.7%	126	27	21.4%
Wells Fargo	21	4	19.0%	21	4	19.0%
Smaller						
Popular Community Bank	31	21	67.7%	34	22	64.7%
Carver	10	6	60%	10	6	60%
Dime	18	9	50%	18	9	50%
Apple Bank	51	23	45.1%	51	23	45.1%
BankUnited	5	2	40%	5	2	40%
Flushing Bank	15	6	40%	15	6	40%
Astoria Bank	30	10	33.3%	30	11	36.7%
Ridgewood Savings Bank	25	9	36%	25	9	36%
Signature Bank	18	6	33.3%	19	6	31.6%
New York Community Bank	87	22	25.3%	85	20	23.5%
Valley National Bank	30	7	23.3%	30	7	23.3%
Emigrant	2	0	0.0%	2	0	0.0%

Percentages of branches in low-income (LI) tracts

	2014			2015		
	Total	**LI**	**% LI**	**Total**	**LI**	**% LI**
Largest						
Chase	383	50	13.1%	372	50	13.4%
HSBC	100	9	9.0%	94	10	10.6%
Bank of America	115	12	10.4%	119	12	10.1%
Citibank	152	14	9.2%	152	14	9.2%
Capital One	141	11	7.8%	135	11	8.1%
TD Bank	116	7	6.0%	126	6	4.8%
Wells Fargo	21	1	4.8%	21	1	4.8%
Santander	70	1	1.4%	71	1	1.4%
M&T Bank	13	0	0.0%	12	0	0.0%
Smaller						
Popular Community Bank	31	8	25.8%	34	7	20.6%
BankUnited	5	1	20%	5	1	20%
Flushing	15	3	20%	15	3	20%
Apple Bank	51	9	17.6%	51	10	19.6%
Valley National	30	4	13.3%	30	4	13.3%
Carver	10	1	10%	10	1	10%
Dime	18	1	5.6%	18	1	5.6%
Signature Bank	18	2	11.1%	19	1	5.3%
New York Community Bank	87	4	4.6%	85	3	3.5%
Astoria Bank	30	1	3.3%	30	1	3.3%
Emigrant	2	0	0.0%	2	0	0.0%
Ridgewood Savings Bank	25	0	0.0%	25	0	0.0%

TRENDS & FINDINGS

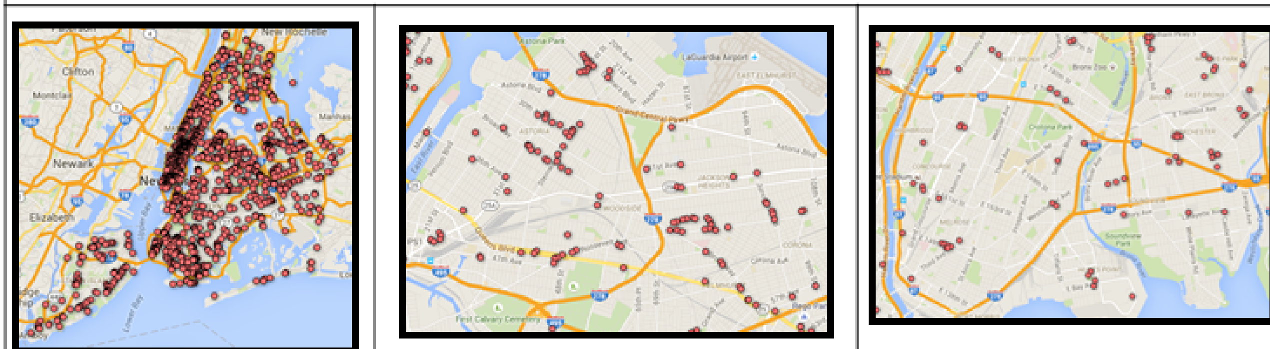
- **Branches in low- to moderate-income tracts remained stagnant; banking deserts persist.**

Among the 21 retail banks in this study, branches decreased by 0.5%, from 1,433 in 2014 to 1,426 in 2015. In low- and moderate-income census tracts, branches were stagnant, up by less than 1%, from 465 to 467, well below the 14% increase from 2013-14. It must be noted that the census boundaries changed in 2014, which accounts for some of the changes that year rather than changes in branch patterns.

The average percentage of branches in low-income tracts went from 9.2% in 2014 to 8.7% in 2015 and in lower-income tracts from 33.9% to 33.6%. 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 2014 and 2015, 15 of the 21 retail banks met the first benchmark and 9 met the second. Three of the largest national banks meet the low-income benchmark: 13% at Chase and just over 10% at Bank of America and HSBC. Citibank has over 9% in low-income tracts. Capital One, too, has been closing branches, but due to a combination of the branch closures being in middle- and upper-income tracts and the change in AMIs, now 8.1% of its 135 branches are in low-income tracts.

Chase has the largest branch network by far with 383 branches in the City, 35% of which are in lower-income neighborhoods. Chase closed four branches in 2015 in middle- and upper-income areas and opened four in low-income tracts. Capital One has been closing branches, including some in low-income tracts, as they move towards a more digital platform. While most banks are maintaining or closing branches, TD Bank continues to open branches. TD Bank's branch network increased by 12 branches in 2014 and another 10 in 2015. Collectively, six were in moderate-income census tracts.

BANK BRANCH DISTRIBUTION IN NEW YORK CITY 2015



NYC Overall | Northwestern Queens: Astoria, Corona, Jackson Heights, East Elmhurst | South Bronx

Source: FDIC 2015 summary of deposits; mapped with Google maps

Simply looking at the overall percentage of branches in lower-income tracts can mask barriers to banking. Branches are not distributed equitably, with the majority concentrated in mid- and lower Manhattan below 96th Street and much fewer in upper Manhattan and the outer boroughs. The Bronx and Brooklyn have nearly 50% of the City's population, yet only 30% of the branches, and especially with so many concentrated in a few commercial corridors, many neighborhoods have none at all.

- **More banks are offering affordable bank accounts, but more needs to be done.**

The most basic checking products continue to vary among banks in regards to how to open an account, monthly maintenance fees, and additional fees associated with the accounts. New York State law requires all state-chartered banks to offer a "Lifeline Account," which is a very 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. But even that is not sufficient as these accounts allow banks to offer overdrafts and to charge for transactions when the maximum free transactions have been met. Signature Bank, for example, charges $1.50 per transaction after eight free transactions. Many of the state-chartered banks offer accounts with no monthly maintenance fees. Three national banks, HSBC, Santander, and Valley National Bank, also provide similar lifeline accounts for $3 per month. For a long time, the options at the largest banks had been limited, with few options for working class adults, especially those without direct deposit. We are seeing positive movement among these banks in recent years.

In the Bronx, over 30% of all bank branches are Chase locations, where the most basic checking account costs $12 per month, which can only be waived with direct deposit, a monthly average balance of $1,500, or if the customer pays $25 or more in fees (overdrafts cost $34). In fact, the New York City Comptroller found Chase to be one of the most expensive banks in the City, estimating it would cost a low-income consumer $227 a year to use that account[7]. Chase's prepaid card costs less and, as of November 2015, it operates very much like the checkless checking accounts at some other banks. But, if that customer transitions to a full checking account and cannot meet the minimum balance requirements or access direct deposit, they will be paying $12 a month[8]. In addition, Chase continues to

Table 9: 2015 OVERDRAFT FEES AS REPORTED IN THE 4th QUARTER CALL REPORT ($ IN MILLIONS)

	Overdraft income (m)	Full service branches in the U.S.	Overdraft per branch ($s)	Total Service fees (m)	Overdraft as a % of service fees
Largest Banks					
Capital One	$162	815	$198,685	$348	46.5%
TD Bank	$461	1302	$353,789	$1020	45.2%
Chase	$1866	5383	$346,647	$4533	41.2%
M&T Bank	$119	648	$184,315	$334	35.8%
Santander	$53	673	$78,527	$167	31.6%
Wells Fargo	$1631	5931	$274,996	$5621	29.0%
Bank of America	$1628	4730	$344,186	$5330	30.5%
Citibank	$111	789	$140,684	$634	17.5%
HSBC	$4.82	231	$20,866	$131	3.7%
Smaller Banks					
Ridgewood Savings Bank	$2.66	34	$78,265	$3.09	86.2%
Flushing Bank	$0.40	18	$22,222	$0.95	42.0%
Dime	$0.29	25	$11,480	$0.78	36.9%
New York Community Bank	$6.88	276	$24,928	$19.83	34.7%
Astoria Bank	$3.50	87	$40,218	$13.64	25.7%
Popular Community Bank	$3.90	51	$76,490	$13.24	29.5%
Valley National Bank	$2.98	235	$12,689	$17.78	16.8%
Apple Bank	$1.16	78	$14,846	$7.89	14.7%
Sterling	$2.27	60	$37,883	$12.09	18.8%
Signature Bank	$0.64	32	$20,000	$9.53	6.7%

7 Office of the NYC Comptroller (2015) "Take it to the Bank"
8 Wilk, J. "Chase Liquid" presentation, FDIC Advisory Committee on Economic Inclusion (ComE-IN) Meeting, May 13, 2013, https://www.

take in billions of dollars in overdraft and service fees. In 2015, $1.9 billion (41%) of Chase's $4.5 billion collected in service fees were derived from overdrafts. Basic checking accounts at other major banks are similarly expensive. Of the largest national banks, Capital One and TD Bank have the lowest minimum balance requirements on their full checking accounts to waive the fee ($350 and $100, respectively) versus $1,500 at the Big Four banks. But Capital One and TD Bank have daily minimum balances, not monthly, so customers could still get caught unaware.

Given the multitude of very small businesses, self-employed people, and workers paid in cash, an account that depends upon direct deposit or a large minimum balance to avoid monthly fees is 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 at a time when they can least afford them.

Banks charge other fees, such as for money orders, remittances, and overdrafts. Overdrafts average about $35 per incident, with some banks charging additional fees for accounts overdrawn for extended periods of time. M&T Bank charges the most ($38.50) while most are $34-$35 each. Capital One, Chase, M&T Bank, Santander, TD Bank and Wells Fargo do not charge for overdrafts below $5, HSBC below $10. Some of the smaller banks also follow this practice. Federal regulations require banks to decline overdrafts on ATM and Point of Sale (POS) debit card transactions unless the customer opts in, but that has done little to curb fees. All of the larger banks in our study are now clearly disclosing their fees and practices, but that is not the case at the smaller banks. Not nearly enough banks of all sizes have adopted **Pew's best practices**: *1) No overdrafts on ATM withdrawals*, *2) No overdrafts on debit card transactions*, and *3) No reordering of transactions from highest to lowest*. According to Pew, of the national banks, only Citibank and HSBC have adopted all three best practices listed above on their checking account, and others have adopted at least one[9]. Most large banks in our study meet at least three of the four Pew "good practices": *1) Limited reordering of transactions*, *2) No extended overdraft fee*, *3) Threshold set before an overdraft fee occurs*, and *4) A limited number of overdraft fees per day*. As of 2015, Bank of America, Signature Bank, and TD Bank adopted just two, but in 2016, TD Bank took the positive step to stop reordering transactions high to low. Most banks offer some other type of overdraft protection, typically linked to a savings account or a line of credit. These depend on having funds in another account or credit approval, and still charge a fee to use, albeit lower than a basic overdraft fee. These tend to be closer to $10-$15 a day.

The Federal Financial Institutions Examination Council (FFIEC) quarterly "call reports" now include overdraft fees. As Table 9 shows, the largest banks are taking in tens and hundreds of millions of dollars from overdrafts that often reflect their policies. For example, Citibank and HSBC do not allow overdrafts on ATM and debit cards, and they reported among the lowest overdraft incomes overall and the smallest percentages of service fees derived from overdrafts. On the other extreme, TD Bank and Capital One allow customers to opt into overdrafts. In 2015, TD Bank continued to reorder transactions from high to low (that practice ended in 2016). Capital One took in $162 million in overdraft fees in 2015 and has the highest percentage of service charges derived from overdraft at 46%, followed by TD Bank taking in $460 million at 45%, and Chase taking in $1.87 billion at 41%.

While Ridgewood Savings Bank is to be commended for not charging monthly maintenance fees, it stands out on the other extreme as collecting the highest percentage of service charges from overdraft fees - a shocking 86% and the highest per branch. While we recognize that it is partly due to low service fees, they still have one of the highest per-branch amounts as well. Flushing Bank too collected almost half of its service charges from overdrafts, but we note that Flushing Bank's total service charges are nearly the lowest among all banks, second only to Dime.

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

- Bank of America *SafeBalance* costs $4.95 per month, which cannot be waived.
- Citibank *Access Account* costs $10 per month, which can be waived through direct deposit **OR** paying one bill online or by phone per month **OR** maintaining a $1,500 minimum balance.
- Chase *Liquid* prepaid debit card costs $4.95 per month, which cannot be waived. While not a bank account, starting late in 2015, the card operates the same in that it offers online bill pay and transfers to other Chase accounts.

fdic.gov/about/comein/2013/2013-05-16_presentation_wilk.pdf
9 Pew Charitable Trusts (May 2015), "*Checks and Balances, 2015 Update*"

Capital One also still offers its free online "360 account". This account operates in a similar manner and could work well for someone comfortable with an all online account. However, it is not a branch product – it cannot be opened in a branch and customers cannot use tellers at all to conduct business related to this account. Also, because a customer must open the account online with a valid social security number, it is not accessible to many immigrant New Yorkers.

Very few of the smaller banks follow the Pew best practices. We applaud Valley National Bank for developing their new "alternative checking" product in 2016 that does not allow any overdrafts. It also has a low monthly fee of $5 that can be waived in multiple ways.

Most of the larger banks, and some smaller ones, accept alternate forms of identification, such as passports and consular cards. Many banks in this study accept the IDNYC as secondary identification now, but now only Carver accepts it as primary identification. BankUnited and Popular Community Bank did in 2015 but both have since stopped. Chase still does not accept it, even as secondary identification. **This is a recognized form of government identification and all banks should accept it as a primary identification.**

This is a recognized form of government identification and all banks should accept it as a primary identification.

- **Some banks continue to partner with the City to increase access to banking.**

Government, banks, and community organizations have tried a variety of strategies to reach the unbanked and underbanked. Apple Bank, Popular Community Bank, and Santander offer loans to help people build and repair credit, but Santander's secure loan requires a minimum savings account of $1,000, which may be hard for some to access. Astoria Bank, Bank of America, Capital One, Citibank, Flushing Bank, Popular Community Bank, TD Bank, and Wells Fargo offer secured credit cards as another means to build and repair credit. Astoria Bank and Popular Community Bank's were the most affordable option ($19-$20 per year) and Bank of America's card is one of the most expensive at $39 per year. They also vary in the terms and fees they charge. Unfortunately, Popular Community Bank discontinued its card in 2016. Chase has not offered a secured credit card or any other credit-building product for many years. Carver has a suite of products to bring people into the bank, such as discounted check cashing and money orders, a prepaid debit card, and financial counseling. Capital One, Carver, Citibank, M&T Bank, and Ridgewood Savings Bank, among others, have partnered with the City and nonprofit organizations to make banking available to more New Yorkers. Most banks have some Saturday hours – only TD Bank is open on Sundays and some branches stay open daily until 7pm.

New York State's Banking Development District program uses subsidized deposits to encourage banks to open branches and contribute to economic development in underserved neighborhoods. We appreciate the work the New York State Department of Financial Services (DFS) has done to make the application more robust and hope that leads to more lending and services to benefit the neighborhoods where Banking Development District branches are located. New York Community Bank is one of the few banks to open a new Banking Development District in recent years.

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 benefits. 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. New York City's Office of Financial Empowerment's SafeStart is a "starter account," 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 accessing other products, such as transactional checking accounts. This product is offered at Capital One, Carver, M&T Bank, Popular Community Bank, and Ridgewood Savings Bank. Citibank is a major funder of this New York City initiative to provide free tax preparation for low-income New Yorkers. Ridgewood Savings Bank offers its bank as one of the tax preparation sites in the Bronx. Some banks, including Apple Bank and New York Community Bank, partner with community organizations to open bank accounts when people file taxes.

WHAT THE REVISED CRA GUIDELINES SAY ABOUT ACCESS TO BANKING

In July 2016, federal regulators completed the second of two rounds of revisions to the Interagency Questions and Answers Regarding Community Reinvestment (Q&A) that guides banks and examiners in determining which loans, investments, and services are eligible for CRA credit and how they impact their rating[1]. While this does not take the place of true CRA reform that would come through regulatory and legislative changes, we are pleased with many aspects of revisions to this document. We also appreciate the thoughtfulness with which the regulators solicited and incorporated feedback throughout the entire process.

Access to banking is an area where Q&A revisions cannot have the impact we need under current laws and regulations. Thus, we are pleased with some of the improvements made and critical of others, but broader changes to assessment areas and how banks are regulated would have a much bigger impact.

First and foremost, we are pleased that the **emphasis on branches remained**. The document retains the line stating that **"the service test performance standards place primary emphasis on full service branches while still considering alternative systems."** Branches remain a critical point of access for many underserved populations and are currently how assessment areas are defined, thus anything that supports branch closures would be damaging to the CRA. With regards to how alternative delivery systems are evaluated, we appreciate the addition of factors related to their **"ease of use" and "rate of adoption and use."** It is not enough to just offer a product.

The Q&A now differentiate between **retail services** related to access to banking and **community development services** that encompass other areas of community development (community services, affordable housing, economic development, and revitalization). Ideally this will place more emphasis on the availability and quality of retail services such as low-cost accounts, deposit services, remittances, etc. The retail services Q&A also says examiners will "consider the availability and effectiveness of an institution's systems for delivering banking services." The regulators went further to add an **additional Q&A as to how they will determine how well products are tailored to meet local needs.** We are very encouraged by this and hope it places more emphasis on the effectiveness of branch products and services used by underserved populations, which are just as important as branch distribution.

1 https://www.ffiec.gov/cra/pdf/2016_QA_Federal_Register_Notice.pdf

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. However, basic banking should not be a niche product. Every New Yorker, especially immigrants and lower-income residents, should have access to banks and affordable products to safely save money and conduct their day-to-day transactions. These products should be widely available and marketed broadly. It is not enough to merely offer a product, but rather banks must market it and demonstrate its effectiveness in making banking and financial services accessible to everyone equitably.

Once again, this report attempts to quantify some of the quality aspects of banking at the banks in this study. We recognize it does not encompass every recommendation, but gives a sense of which banks are serving more New Yorkers through their branch banking products with regards to overdraft policies, monthly fees, and efforts to reach unbanked and underbanked New Yorkers. These are based on local needs as well as the Pew Overdraft recommendations and the BankOn National Standards[10].

10 http://www.joinbankon.org/wp-content/uploads/Bank-On-National-Account-Standards-2015-2016-Final.pdf

Table 10: ACCESS TO BANKING

Bank	fee/ mo	Ways to Waive Fees, if possible	Subset of Overdraft Practices on full checking account 2014	Safe, Low-cost Account	Products/Partnership/IDNYC	2015 score
Chase	$12	Direct Deposit ($500+ / mo) OR $1500 min OR linked accts $5000 OR pay $25 in fees	**4 of 7:** Disclosure box; no OD ATM; limit # OD's per day; threshold $5 before OD		**IDNYC 2015:** No	9
	$4.95	Chase Liquid prepaid debit card. Can't waive fee	**No overdraft charges:** allows online bill pay like "checkless" checking accounts	5 of 5: Unlimited transactions; Min to open ≤$25; no dormancy fee ;no overdraft		
Bank of America	$4.95	Safe Balance Account. Can't waive fee	**No Overdraft charges.**	5 of 5: Unlimited transactions; Min to open ≤$25; fee <$5; no overdraft/NSF fee; no dormancy fee	Secured credit card **IDNYC 2015: Secondary**	9.5
	$12	Direct Deposit (min one for $250) Or min balance $1,500	**3 of 7:** Disclosure box; no OD POS Debit; limit # OD's per day			
Citibank	$10	Access Account. Direct Deposit OR 1 bill pay per month OR $1500 min balance	**No Overdraft charges**	**5 of 5:** Unlimited transactions; Min to open ≤$25; fee $10 waived with single transaction; no overdraft/ NSF fee; no dormancy fee	**Partner** with **City** and **Community** groups Secured credit card **IDNYC 2015: No (Secondary 2016)**	13
	$10	Basic Checking: Direct Deposit AND 1 bill pay/mo OR $1500 min balance	**6 of 7:** Disclosure box; no OD POS; no OD on ATM; No Reordering high-to-low; Limit # OD per day; no extended OD fee			
Wells Fargo	$7/$10	Direct Deposit (total $500+) Or $1500 min. Online banking & bill pay is $3/mo (can't waive)	**5 of 7:** Disclosure box; No Reordering high-to-low; Limit #OD per day; Threshold $5 before OD charge; No extended overdraft fee	**3 of 5:** Unlimited transactions; Min to open ≤$25; no dormancy fee	secured credit card **IDNYC 2015: Secondary**	8.5
	$10 / $15 with svgs	10 DC purchase OR Direct Deposit ($750+) OR $2000 min. Waive $5 svgs acct fee: certain X-fers to savings OR $300 min				
HSBC	$3	8 free checks / withdrawals, $0.35 per withdrawal after	**6 of 7:** no OD POS; no OD on ATM; No Reordering high-to-low; Limit #OD per day; Threshold $5 before OD; No extended overdraft fee	**3 of 5:** Min to open ≤$25; fee <$5; no dormancy fee	**IDNYC 2015: Secondary**	10.5
	$15	direct deposit or $1,500 min balance		**3 of 5:** Unlimited transactions; Min to open ≤$25; no dormancy fee		
Capital One	$8.95	$300 min balance, or direct deposit of $250 or more	**4 of 7:** Disclosure Box; Limit #OD per day; Threshold $5 before OD; No extended overdraft fee	**2 of 5:** Unlimited transactions; no dormancy fee	**Partner** with **City** and **Community** groups Secured credit card **IDNYC 2015: Secondary**	9.5
	$0.00	360 Checking: all online, not in branches - no access to tellers; On AllPoint ATM network	Overdraft line of credit: low interest on OD.	(not a branch product, not used in score)		
TD Bank	$5.99	TD Simple: can't waive	**2 of 7:** Disclosure Box; Threshold $5 before OD charge (2016: no longer reorder transactions high to low)	**3 of 5:** Unlimited transactions; Min to open <=$25; no dormancy fee	**Partner** with **City** Secured credit card **IDNYC 2015: Secondary**	7.5
	$15	TD Convenience: $100 min				

M&T Bank	$3	Can't waive, but no min balance	**2 of 7:** No Reordering high-to-low; Threshold $5 before OD charge	**4 of 5:** Unlimited transactions; Min to open ≤$25; fee < $5; no dormancy fee	Partner with city and Community groups **IDNYC 2015: No**	10
	$9.95	One deposit or one withdrawal each month		**4 of 5:** Unlimited transactions; Min to open ≤$25; fee <$10 - waived with one transaction; no dormancy fee		
Santander	$3	No min balance	**3 of 7:** Disclosure Box; No Reordering high-to-low; Threshold $5 before OD charge; Limit # OD per day	**2 of 5:** Min to open ≤$25; fee < $5	**IDNYC 2015: Secondary**	7.5
	$10	$750 ave. daily balance for the month, or direct deposit of $500+ -> can get free svgs acct		**3 of 5:** Unlimited transactions; Min to open ≤$25; $10/mo can be waived with one transaction		
Valley National Bank	$3	8 free checks / withdrawals, $0.50 per withdrawal after	**3 of 7:** no reordering high-to-low; Limit #OD per day; Threshold $10 before OD charge	**Basic: 3 of 5:** Min to open ≤$25; fee <$5/mo; no dormancy fee	IDNYC 2015: Secondary	6.5
	$15	daily balance $99 per month				
	$5	Alternative checking: direct deposit of $250; or 3 VBankWorks® payments or 10 debit transactions	Limited overdrafts ***(new in 2016)***	**4 of 5:** Unlimited transactions; Min to open ≤$25; fee $5 can be waived; no overdraft (can get NSF); no dormancy fee		
Popular Community Bank	$0.00		**2 of 7:** No Reordering high-to-low; Threshold $5 before OD charge	**4 of 5:** Unlimited transactions; Min to open ≤$25; no maint. fee; no dormancy fee	**Partner** with **City** and **Community** groups Secured credit card, credit-building loans (secured card discontinued 2016) **IDNYC 2015: Primary (2016: only secondary)**	11
Signature Bank	$3	free up to 8 debits, then $1.50/debit after that **no fee for non-Signature ATMs**	**2 of 7:** No Reordering high-to-low; No extended overdraft fee	**3 of 5:** Min to open ≤$25; fee < $5; no dormancy fee **IDNYC 2015: Secondary**	Partner with city and Community groups	6.5
	$20	$4,000 min OR $15K linked accts no fee for non-Signature ATMs		**3 of 5:** Unlimited transactions; Min to open ≤$25; no dormancy fee		
New York Community Bank	$2	sign up for e-statements (always free for students)	**5 of 7:** no OD on ATM or POS; No Reordering high-to-low; Limit # OD per day; Threshold $5 before OD; no extended overdraft fee [Only OD by transferring from another account. $15/day, not per OD]	**4 of 5:** Unlimited transactions; Min to open ≤$25; low/no maint. Fee ($2 w/ paper statement; $0 otherwise); no dormancy fee	Partner with **city** and **Community** groups **IDNYC 2015: Secondary**	11.5
Astoria Bank	$3.00	Direct Deposit ($250) OR avg. balance $250/mo & account must be active over 3m period ($10 inactivity fee)	**3 of 7** - No Reordering high-to-low - Limit # OD per day - no extended OD fee	**3 of 5:** Unlimited transactions; Min to open ≤$25; $3 - can be waived	Secured credit card **IDNYC 2015: Secondary**	8.5
Apple Bank	$3.00	no min. balance ($10 to open)	**4 of 7:** No Reordering high-to-low; Limit # OD per day; Threshold $5 before OD charge; no extended OD fee	**3 of 5:** Min to open ≤$25 ($10); fee < $5; no dormancy fee	Partner with **community groups** Credit building loans IDNYC 2015: Secondary	9.5
	$0.00	no min. balance ($100 to open)		**3 of 5:** Unlimited transactions; no monthly fee; no dormancy fee		

Ridgewood Savings Bank	$3	Direct Deposit OR sign up for online banking OR maintain $2,500 balance	**2 of 7:** - No Reordering high-to-low; no extended OD fee	**4 of 5:** Unlimited transactions; Min to open ≤$25; low/no maint. Fee ($0 or $3 w/ paper statement); no dormancy fee	Partner with **city** and **community** groups **IDNYC 2015: Secondary**	7.5
Carver	$10	Direct Deposit ($500) OR average monthly balance of $500	**6 of 7;** No disclosure box, but meets all other criteria - can't overdraft	**3 of 5:** Unlimited transactions; Min to open ≤$25; no dormancy fee	Partner with **city** and **community** groups Carver Community Cash **IDNYC 2015: Primary**	13
Dime	$0.00		**3 of 7:** No Reordering high-to-low; Threshold $10 before OD; no extended OD fee	**4 of 5:** Unlimited transactions; Min to open ≤$25; no maint. fee; no dormancy fee	**IDNYC 2015: Secondary**	7.5
Flushing Bank	$0.00		**1 of 7:** No extended overdraft fee	**4 of 5:** Unlimited transactions; Min to open ≤$25; no maint. fee; no dormancy fee	Partner with **City**: Secured credit card **IDNYC 2015: Secondary**	7.5
BankUnited	$0.00	Value Checking	**5 of 7:** no OD POS; no OD on ATM; No Reordering high-to-low; Threshold $5 before OD charge; no extended OD fee	**4 of 5:** Unlimited transactions; Min to open ≤$25; no maint. fee; no dormancy fee	IDNYC 2015: Primary **(Secondary in 2016)**	9

Access to Banking Score (referred in Table 10):

- **Disclosure box** (1 point)
- **6 Key Overdraft Practices** (1 point each): Cannot opt in to ATM overdrafts; Cannot opt in to POS debit card overdrafts; No reordering transactions (highest to lowest increases the overdraft fees); Limits on overdrafts per day and fees (# of penalties charged per day); Threshold before overdraft charged; and No Extended overdraft fee
- **Qualities of a Safe Account** (1 point each): Unlimited Transactions; Minimum Opening Deposit $25 or less; Monthly maintenance fee $5 or less if not waivable OR $10 or less if at least two options to waive fee with a single transaction (e.g. direct deposit with no minimum deposit, online bill pay or debit card purchase); Not structurally possible to incur overdraft or non-sufficient fund fee; and No dormancy or inactivity Fees
- **Secured Credit Card / Credit building / LMI products** (1 point)
- **IDNYC** (1 point): Primary ID; ½ point Secondary ID
- **Partner** (1 point each): Partner with community; Partner with City

RECOMMENDATIONS

- **Banks should open and maintain branches in underserved areas.**
  - 25% of a bank's branches should be in low- and moderate-income tracts and 10% in low-income tracts in particular.
  - Open branches in areas that are unbanked or underbanked and partner with local nonprofits to

ensure they successfully reach new customers through their products and practices. While few banks are opening new branches, we note that when they do, they tend to be in areas where branches already exist.

- **Every bank should offer safe, affordable bank accounts.**
  - **Offer one account with the following qualities:**
    - Minimum opening deposit $25 or less
    - Unlimited transactions and monthly maintenance fee $5 or less if not waivable OR $10 or less if at least two options to waive fee with a single transaction (e.g. direct deposit with no minimum deposit, online bill pay, or debit card purchase)
    - Not structurally possible to incur overdraft or non-sufficient fund fee
    - No dormancy or inactivity fees
  - Accept **alternate forms of identification** in addition to a social security card to open an account. **All banks should accept the IDNYC as primary identification**.
  - Allow people with prior banking issues a way to reenter the banking mainstream.
  - **Adopt the Pew guidelines for best practices** on overdraft policies and disclosures for all checking accounts: No overdrafts on ATM and debit cards and no reordering of transactions from high to low.
  - Advertise and promote bank products widely, have them available everywhere, and ensure that all branch staff understand and market them so that any customer will have bank products more readily available to them. It is not enough to simply offer new products. Banks should demonstrate their effectiveness and modify products that are not reaching underserved populations.
- **Banks should offer branch products and implement practices to serve lower-income and immigrant communities.**
  - Partner with the City and nonprofits that provide high-quality financial counseling and education related to all aspects of banking and access to credit.
  - Provide services to non-native speakers with staff, materials, and products that reflect the local languages and cultures.
  - Offer variable hours – in person and by phone – to accommodate people who cannot get to a bank during the business day.
  - Offer affordable products that meet the needs of lower-income communities: small dollar loans to help build or repair credit, remittances, and access to credit for homes and small businesses.

1-4 FAMILY LENDING

BACKGROUND

As much as New York City is a city of renters, nearly a third of New Yorkers own their own homes, a rate that has not moved much since 2005. Homeownership is an important source of housing and asset-building for many New Yorkers. At the same time, small 2-4 family homes can also be both a source of income for the homeowner and a potential source of affordable housing for renters. The City and financial institutions, especially those covered by the CRA, have an obligation to ensure that this opportunity of homeownership is made equitably to lower-income and minority people and communities throughout the City.

Nationwide, and citywide, home prices have been steadily increasing since mid-2011 and are approaching pre-recession levels. In 2015, Manhattan and Brooklyn prices exceeded their pre-recession peaks, which is especially concerning given how inflated some of the home prices were before the market crashed. But prices are rising in all five boroughs[11]. Meanwhile, the foreclosure crisis is not over and continues to impact communities of color, particularly in Brooklyn and Queens. High home prices and foreclosures, coupled with the rise in low-wage jobs and persistent racial disparities, puts homeownership further out of reach for lower-income New Yorkers, immigrants, and people of color.

1-4 family lending is at the core of the CRA. The CRA, Fair Housing laws, and HMDA, all came about in the late 1970s as a result of redlining and discriminatory housing policies and practices. Under the CRA, banks are required to reinvest in all of the communities from which they take deposits, including low- and moderate-income neighborhoods. For example, banks are not allowed to take deposits in the South Bronx and use those dollars to lend only in Riverdale or other wealthier communities. As part of the CRA lending test, banks are evaluated on the volume of their 1-4 family home lending inside and outside their assessment areas and the percentages of loans to low- to moderate-income people and in low- to moderate-income geographies. Under the CRA, loans the bank originates are treated the same as loans they purchase from another institution. ANHD believes that originated loans are much more impactful in directly reaching current and potential homeowners. In this section of the report, we analyze **owner-occupied, first-lien loans to purchase and refinance 1-4 family homes.**

ANHD has also been advocating for updates to the CRA to address historic omissions and more recent developments in banking. The CRA came about during a time of overt discrimination and should never have been color-blind. The CRA is still color-blind, aside from a fair lending component that is rarely utilized. Banks are not systematically evaluated for their lending to borrowers of color as part of their affirmative obligation under the CRA. Meanwhile, the banking world has changed while the CRA has not kept up. Independent non-bank mortgage companies funded by institutional investors rather than deposits are not covered by the CRA, non-bank affiliates are optional for banks to include on their CRA exams, and assessment areas continue to be set based on branch location, which could exclude loans in areas made by online lenders or banks that do not have a local branch presence.

Banks have an obligation to address these credit needs. 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.

11 NYU Furman Center (2015), "*State of New York City's Housing and Neighborhoods in 2015", Austensen, M., Gould Ellen, I., Herrine, L., et alia*

PRINCIPLES

- **Banks should be meeting the credit needs of all New Yorkers.**

CRA-covered lenders have an obligation to equitably meet the credit needs of all New Yorkers.

  - Banks should increase access to homeownership and equity by originating home purchase and refinance loans to lower-income people, immigrants, and people of color.
  - Banks should offer a wide range of products, including government-backed loans such as State of New York Mortgage Agency (SONYMA), Fannie Mae and Freddie Mac programs, and portfolio products.
  - Banks should be making loans equitably to low- and moderate-income borrowers and borrowers of color, striving to match the demographic percentages by race and ethnicity and increasing lending to low- to moderate-income borrowers. As will be discussed below, it is clear that there is a market for loans, and banks should be meeting much of that need. In their absence, non-CRA covered lenders are filling the void.

- **Banks should institute quality home loan programs for lower-income people, immigrants, and people of color.**

The goal of the CRA is to help meet the credit needs of low- and moderate-income people and neighborhoods. As mentioned above, we believe that responsibility also extends to borrowers of color. Banks must take an intentional approach to reaching these borrowers with quality affordable products and supports to ensure the best chance of success. This involves:

  - **Partnerships with nonprofit community-based organizations** that provide U.S. Department of Housing and Urban Development (HUD)-certified pre-purchase counseling and additional supports for current and potential homeowners.
  - **Dedicated loan officers, underwriters, and loan processors** who are accessible and fully knowledgeable about their products, and able to make approval decisions in a timely manner. Affirmatively market the affordable products through a variety of channels, including nonprofit partners, traditional and ethnic press and mailings, and social media.
  - **Reasonable down payment requirements with financial assistance.** In a high-cost city like New York City, homeownership is increasingly difficult for low- to moderate-income borrowers. Banks can address this issue by allowing for lower down payments, providing financial assistance directly and through government programs, waiving private mortgage insurance (PMI), and offering products for the more affordable homeownership options such as regular and limited equity co-ops.
  - **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 and others without a formal credit history.
  - **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 America found that borrowers who received pre-purchase counseling were one-third less likely to become over 90 days delinquent over the two years after receiving their loan[12]. A follow-up study of loans made from 2010-12 found a difference of 16% in delinquency rates[13]. While the percentage is lower, the conditions were considerably different as banks tightened their credit standards and made fewer loans, leading to a decline in delinquency rates overall.

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

13 Urban Institute (2016), *"NeighborWorks America's Homeownership Education and Counseling: Who Receives It and Is It Effective?"*, Li, W., Bai, B., Goodman, L., Zhu, J.

- **All lenders should be held to the highest standards of equitable and fair lending.**

Increasingly, we are seeing a rise in non-bank mortgage lenders as well as online lending by banks and non-banks. While we note fewer affiliate lenders at the largest banks, they continue to exist in this space. Nonbank lenders are particularly prevalent in making FHA loans to borrowers of color. While FHA loans may not be considered predatory, they are higher cost than conventional loans and there is a fear that people who qualify for conventional loans may be steered into FHA loans. Leading up to the crisis, there was evidence that the percentage of high-cost loans were highest among non-bank lenders, followed by bank lenders outside of their assessment areas. The lowest percentages of high cost loans were among CRA-covered lenders within their assessment areas[14]. While the number of high-cost loans is much lower now than before the crash, the numbers could rise and the percentages are higher among non-bank lenders. For this reason, we need to modernize the CRA to better reflect how loans are made. This includes expanding the CRA to include non-bank lenders and require all affiliate lenders be reported on bank CRA exams. It also means expanding assessment areas based on where banks lend, in addition to where they have branches. This is especially important for online lenders and banks that comprise a significant percentage of loans within a geographic region.

TRENDS & FINDINGS

- **Home lending is up, but the percentage of loans to lower-income borrowers remains stagnant. Racial disparities persist.**

Citywide, while the number of home purchase loans overall were up 10.7% from 2012 to 2015, the number to low- to moderate-income borrowers stayed virtually the same: 2,307 in 2012 and 2,310 in 2015. Home prices continue to rise[15] while mortgage interest rates have been relatively low for many years, hovering between 3.5% and 4.5% for the past three years. This combination of increased equity and low interest rates contributed to the refinance boom nationwide in 2012 and subsequent decline as borrowers took advantage of the low rates. In 2015, refinance loans increased once again, up 51% in 2015 from a year earlier from 11,131 to 16,679, but that is still roughly half the volume of 2012, which was 33,691. Refinance loans to low- to moderate-income borrowers only increased 7.4% from 2014-15 and declined 48% from 2012, from 2,874 in 2012 to 1,491 in 2015.

Indicative of the rise in lending by non-CRA covered lenders, as will be discussed later, the banks in this study trailed citywide trends. Their home purchase lending increased at a lower rate than did lenders overall. Similarly, their refinance lending lagged lenders overall year over year, and over the 2012-15 time frame – decreasing more in 2014 and increasing less in 2015. (see Table 11)

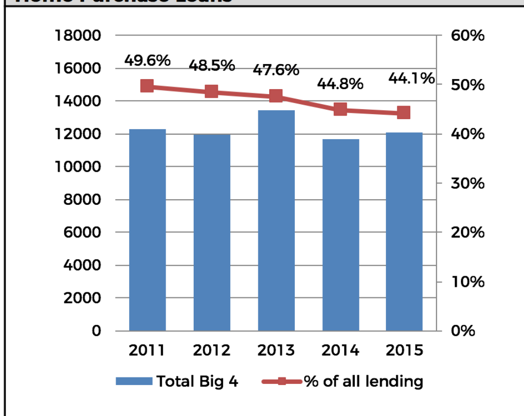
The "Big Four banks" – Bank of America, Chase, Citibank, and Wells Fargo – collectively accounted for about 88% of home purchase loans in our study in 2015 and 44% of those loans in the City. Their share of lending has been declining in New York City and nationwide. Historically, HSBC had been on par with these top lenders in New York City, but their volume has dropped considerably over the past few years. Wells Fargo maintains a large presence in the mortgage market, but their share has been declining steadily over the years overall and to low- to moderate-income borrowers. Starting in 2013, Chase has been making more loans to low- to moderate-income borrowers than Wells Fargo. While Chase continues to have the highest volume of lending to lower-income borrowers, for the first time in many years, Citibank surpassed Wells Fargo in this category as well in 2015. Some of Wells Fargo's decline may be due to the end of their CityLift program. CityLift was created in the wake of a 2012 settlement agreement with the Department of Justice related to fair housing violations where African-American and Hispanic borrowers were charged more or were improperly steered to subprime loans[16].

14 http://www.woodstockinst.org/sites/default/files/attachments/payingmore3_april2009_collaboration_0.pdf
15 Fed home prices
16 https://www.justice.gov/opa/pr/justice-department-reaches-settlement-wells-fargo-resulting-more-175-million-relief

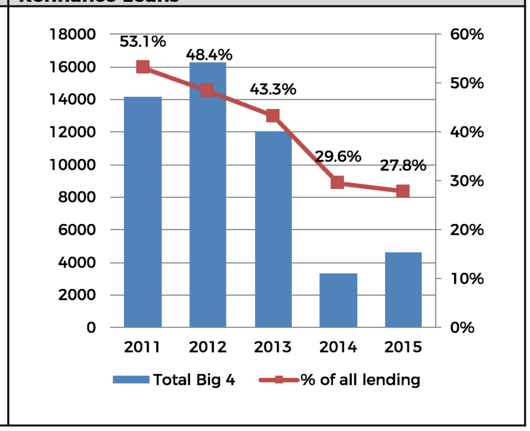
TABLE 11: 1-4 FAMILY, OWNER-OCCUPIED, FIRST-LIEN HMDA 2012-15												
All lenders: in New York City							21 Retail Banks in ANHD's Study					
	2012	2013	2014	2015	% change 2014-15	% change 2012-15	2012	2013	2014	2015	% change 2014-15	% change 2012-15
Home Purchase Loans												
Total (#)	24,693	28,244	26,067	27,328	**4.8%**	**10.7%**	14,471	15,831	13,610	13,779	**1.2%**	**-4.8%**
Total ($)	$11,582	$13,781	$13,410	$15,160	**13.1%**	**30.9%**	$6,948	$7,991	$7,465	$8,369	**12.1%**	**20.5%**
… to LMI (#)	2,307	2,317	2,173	2,310	**6.3%**	**0.1%**	1,335	1,373	1,185	1,223	**3.2%**	**-8.4%**
… to LMI ($)	$429.26	$404.88	$375.06	$426.20	**13.6%**	**-0.7%**	$214.98	$206.93	$177.29	$194.23	**9.6%**	**-9.7%**
% LMI (#)	**9.3%**	**8.2%**	**8.3%**	**8.5%**	**1.4%**	**-9.5%**	**9.2%**	**8.7%**	**8.7%**	**8.9%**	**1.9%**	**-3.8%**
Refinance Loans												
Total (#)	33,691	27,802	11,131	16,679	**49.8%**	**-50.5%**	19,944	14,699	4,095	5,730	**39.9%**	**-71.3%**
Total ($)	$13,450	$11,141	$4,821	$7,730	**60.4%**	**-42.5%**	$7,733	$5,580	$1,810	$2,864	**58.3%**	**-63.0%**
… to LMI (#)	2,874	2,525	1,388	1,491	**7.4%**	**-48.1%**	1,614	1,216	494	508	**2.83%**	**-68.5%**
… to LMI ($)	$519.67	$478.29	$262.54	$309.31	**17.8%**	**-40.5%**	$233.93	$175.84	$72.00	$74.67	**3.71%**	**-68.1%**
% LMI (#)	**8.5%**	**9.1%**	**12.5%**	**8.9%**	**-28.3%**	**4.8%**	**8.1%**	**8.3%**	**12.1%**	**8.7%**	**-28.2%**	**7.0%**

"BIG FOUR" BANKS SHARE OF 1-4 FAMILY LENDING IN NYC (BIG FOUR BANKS: BANK OF AMERICA, CHASE, CITIBANK, AND WELLS FARGO)

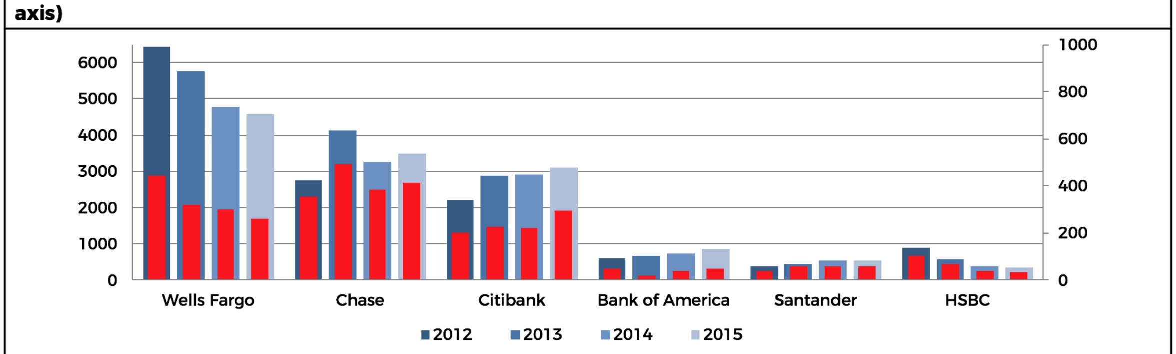
Home Purchase Loans



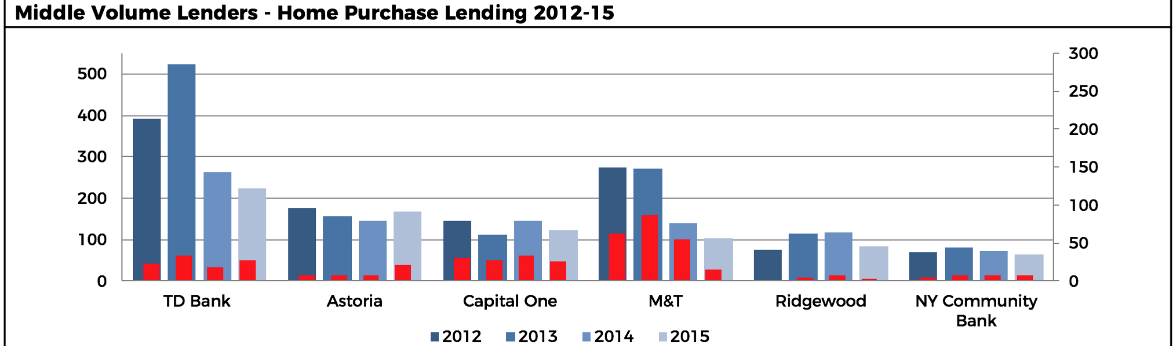
Refinance Loans



High Volume Lenders – Home Purchase Lending 2012-15 (blue: all loans – left axis, red: LMI borrowers – right axis)



Middle Volume Lenders - Home Purchase Lending 2012-15



Racial disparities continue to persist in home lending, with few banks showing leadership in lending to people of color. 22% of New Yorkers are Black and 29% Latino, yet in 2015, only 9% of home purchase loans in New York City went to non-Hispanic Black borrowers and 8.2% went to Latino borrowers of any race. This has barely changed from 2014. We do note that origination rates among Black and Latino borrowers went up (57.7% to 60.1% for Blacks and 60.6% to 63.0% for Latinos) while denial rates went down (21.5% to 17.8% for Blacks and 20.3% to 17.1% for Latinos).

We also note that a disproportionately high share of FHA loans go to Black and Latino borrowers. For example, while just 5.5% of loans to White borrowers were FHA loans, 56.8% of loans to Black borrowers and 33.9% of loans to Latino borrowers were FHA loans. Similar disparities appear in refinance loans. While we certainly understand the value of FHA loans, they are more expensive and it raises questions as to whether qualified borrowers of color are being steered to FHA loans rather than conventional loans. This is particularly concerning given that 78% of all FHA loans are made by non-covered lenders.

At each of the Big Four banks, fewer than 5% of their home purchase loans were to non-Hispanic Black borrowers and fewer than 6.3% to Latino borrowers of any race. The trends among the smaller banks are even worse. No bank under $50 billion in assets made more than six loans to Black borrowers and only Astoria Bank made over 10 loans to Latino borrowers (16 loans, 9.5%). Fully two thirds or more at nearly all of these banks went to non-Hispanic White borrowers. Capital One and M&T Bank continue to lead in lending to borrowers of color. 13.8% and 12.2% of Capital One's loans were to Black and Latino borrowers, respectively. At M&T Bank the percentages were higher at 17.6% to Black borrowers and 18.6% to Latino borrowers.

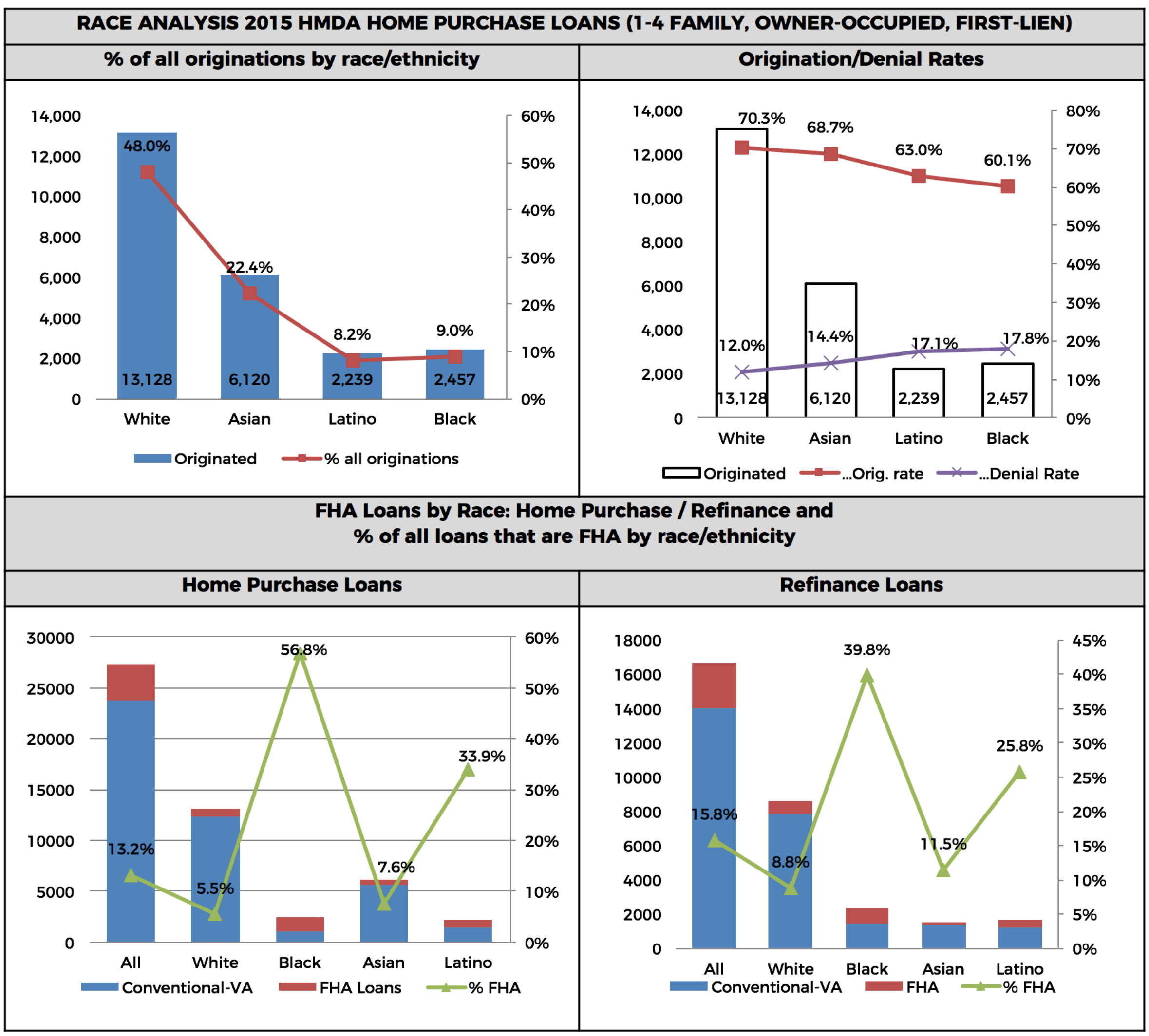


TABLE 12: RACIAL BREAKDOWN OF 1-4 FAMILY HOME PURCHASE LOANS (2015)															
	All	White		Black		Asian		Latino		Other		Race N/A		Ethn N/A	
Largest															
Wells Fargo	4594	2814	61.3%	213	4.6%	932	20.3%	284	6.2%	19	0.4%	332	7.2%	348	7.6%
Chase	3479	1646	47.3%	127	3.7%	1098	31.6%	181	5.2%	16	0.5%	411	11.8%	404	11.6%
Citibank	3111	1245	40%	129	4.1%	669	21.5%	180	5.8%	5	0.2%	883	28.4%	885	28.4%
Bank of America	878	441	50.2%	37	4.2%	217	24.7%	41	4.7%	4	0.5%	138	15.7%	133	15.1%
Santander	533	347	65.1%	19	3.6%	85	15.9%	34	6.4%	9	1.7%	39	7.3%	37	6.9%
HSBC	341	80	23.5%	8	2.3%	54	15.8%	13	3.8%	0	0%	186	54.5%	164	48.1%
TD Bank	225	122	54.2%	21	9.3%	38	16.9%	21	9.3%	3	1.3%	20	8.9%	18	8.0%
Capital One	123	54	43.9%	17	13.8%	24	19.5%	15	12.2%	0	0%	13	10.6%	14	11.4%
M&T Bank	102	30	29.4%	18	17.6%	12	11.8%	19	18.6%	0	0%	23	22.5%	22	21.6%
Smaller															
Astoria Bank	169	103	60.9%	6	3.6%	28	16.6%	16	9.5%	0	0%	16	9.5%	18	10.7%
Ridgewood Savings Bank	83	56	67.5%	2	2.4%	12	14.5%	4	4.8%	0	0%	9	10.8%	11	13.3%
New York Community Bank	63	42	66.7%	3	4.8%	6	9.5%	2	3.2%	0	0%	10	15.9%	10	15.9%
BankUnited	35	26	74.3%	3	8.6%	2	5.7%	3	8.6%	0	0%	1	2.9%	1	2.9%
Emigrant	23	17	73.9%	0	0%	3	13%	1	4.3%	0	0%	2	8.7%	2	8.7%
Flushing Bank	6	5	83.3%	1	16.7%	0	0%	0	0%	0	0%	0	0%	0	0%
Valley National Bank	5	4	80%	0	0%	0	0%	1	20%	0	0%	0	0%	0	0%
Popular Community Bank	3	1	33.3%	0	0%	0	0%	1	33%	0	0%	1	33%	1	33%
Apple Bank	1	1	100%	0	0%	0	0%	0	0%	0	0%	0	0%	1	100%

- **CRA lending programs are critical.**

We have noticed an increase in affordable homeownership products, including both portfolio products and government programs and varying levels of financial assistance.

- Capital One and Citibank have long been recognized in this space, each with a well-respected portfolio product targeted to low- and moderate-income borrowers with low down payments and financial assistance. They both waive private mortgage insurance (PMI) to lower monthly payments and offer closing cost assistance to qualified borrowers. The percentage of Citibank's lending to lower-income borrowers is among the lower percentages, but it now makes the second highest volume of loans to that population.

- Other banks have introduced and/or refined their CRA products, including, Chase, HSBC, M&T Bank, Santander, TD Bank, and Valley National Bank. These banks now have portfolio products with more favorable terms while not necessarily waiving PMI. Chase brought back its down payment assistance associated with the product in 2016.

- BankUnited's portfolio product looked promising but never had the desired impact (no loans to low- to moderate-income borrowers in 2014 and just four in 2015) and never will. In 2016, BankUnited discontinued its 1-4 family mortgage lending nationwide[17].

Because many of the portfolio products are available to both low- to moderate-income borrowers and to any borrower of a home in low- to moderate-income census tracts, they are not necessarily reaching low- to moderate-income borrowers. Certainly given the extremely high cost of housing, programs accessible to middle-income borrowers are meaningful, but we must look at the products available and who is using them to ensure they are reaching the lowest-income New Yorkers wherever possible.

In addition to these portfolio programs, there are also existing programs for banks to participate in. For example, banks can offer loans insured by the State of New York Mortgage Agency (SONYMA) and loans that can be sold to Fannie Mae and Freddie Mac. These first-time homebuyer loans are well-defined with low down payments, pre-purchase counseling, and financial assistance for closing and down payment costs.

17 http://www.housingwire.com/articles/36045-bankunited-stops-originating-retail-mortgage-loans

Many lenders in this study are **SONYMA-approved lenders** (Apple Bank, Astoria Bank, Citibank, Emigrant, HSBC, M&T Bank, Ridgewood Savings Bank, Santander, and Wells Fargo), but not all are active[18]. For 2015, the state reported on SONYMA approved loans from April to December 2015. In this time, only Astoria Bank, Citibank, Emigrant, HSBC, M&T Bank, and Wells Fargo made any SONYMA loans. Citibank made the most with 34 loans, followed by M&T Bank with 23, HSBC with 14, Astoria Bank with 12, and Wells Fargo with 4. While we recognize that these numbers exclude the first quarter of 2015, the drop for Wells Fargo from 25 to 4 is surprising. The median closing time at HSBC was 107 days, well above any other bank in the report. M&T Bank also makes SONYMA Down Payment Assistance Loans (DPALs), which are technically 0% interest loans, but when certain conditions are met, the loan is forgiven and treated like a grant. Bank of America and Chase no longer offer SONYMA loans.

Another valuable program is the **First Home Club**, run by the Federal Home Loan Bank of New York, which offers matching grants for qualified first-time homebuyers who successfully complete a homebuyer class and save money over time with a participating bank. Among the banks in this study, Astoria Bank, HSBC, and M&T Bank are currently listed and known to be active participants. Valley National Bank is exploring membership as was New York Community Bank, in connection with its merger with Astoria Bank. We hope they still continue that process despite the merger being terminated.

Above all, lenders need to be in tune with the incredible diversity of New York City 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 affiliates of **Neighborhood Housing Services** is one effective way to do this. These organizations train HUD-certified home counselors and work closely with banks and clients to help homebuyers 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 homebuyers.

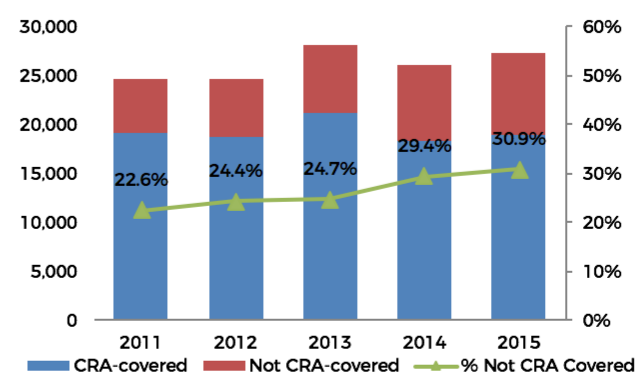
- **The percentage of non-CRA covered lenders is rising.**

  In New York City, the largest banks continue to make a majority of the city's home purchase loans, but non-bank lenders are increasing their presence overall, particularly in the refinance lending space. This is concerning given that they are not covered by the CRA. While both independent mortgage companies and credit unions are not covered by the CRA, credit unions represent a small fraction of the lending market. In 2012, 24.4% of all home purchase loans were originated by non-CRA covered lenders and that increased to almost a third at 31% in 2015. 51.4% of 2015 refinance loans were originated by non-CRA covered lenders, up from 25.2% in 2012. In fact, online lender Quicken Loans originated the most refinance loans in the City in 2014 and 2015. Also concerning is the high percentage of FHA loans made at non-bank lenders, particularly to borrowers of color. While these may not be predatory loans, in the past few years, many were classified as high-cost due to the high mortgage insurance associated with the loans and the fact that the mortgage insurance premiums never come off, even when the principal balance is below 80% of the loan. We appreciate that FHA finally lowered the private mortgage insurance, but regardless, FHA loans are still higher cost than conventional loans and the most recent rate cut was reversed under the new administration[19]. We have concerns that some borrowers may be steered into FHA loans when they would qualify for a lower-cost conventional mortgage. It is critical that banks be active in the home lending market and be making all efforts to reach borrowers with responsible, affordable conventional mortgages. We continue to urge the regulators to cover all lenders under the CRA.

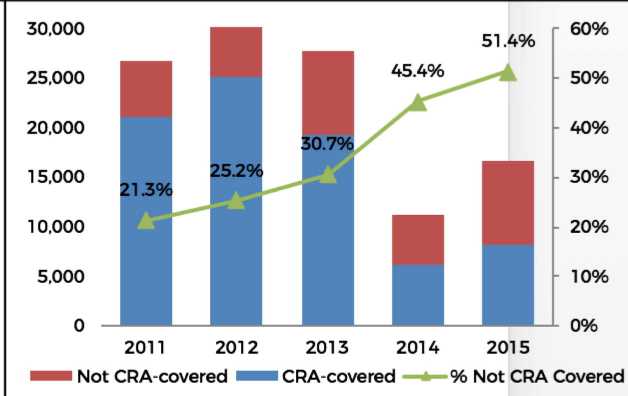
18 http://www.nyshcr.org/Topics/Home/buyers/participatinglenders/participatinglendersregionx.htm
19 https://www.bloomberg.com/politics/articles/2017-01-20/trump-administration-overturns-obama-s-fha-mortgage-fee-cut

PERCENTAGE OF HOME LOANS THAT ARE MADE BY NON-BANK LENDERS THAT ARE NOT COVERED BY THE CRA 2011-15

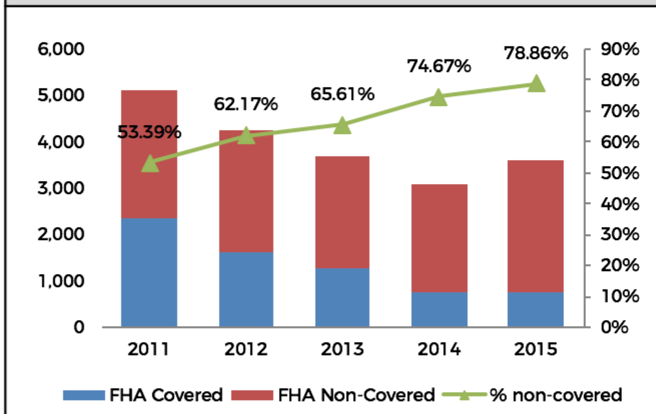
% non-covered Home Purchase Loans



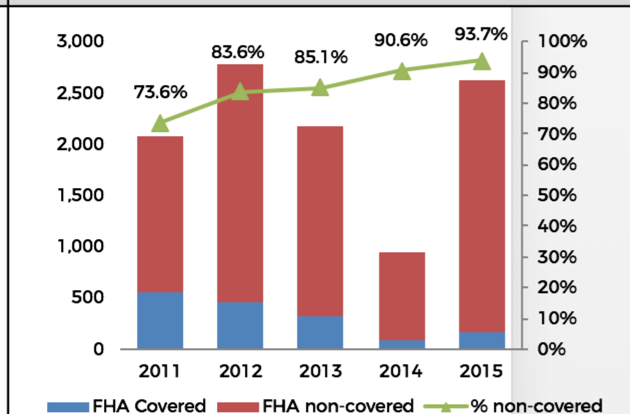
% non-covered Refinance Loans



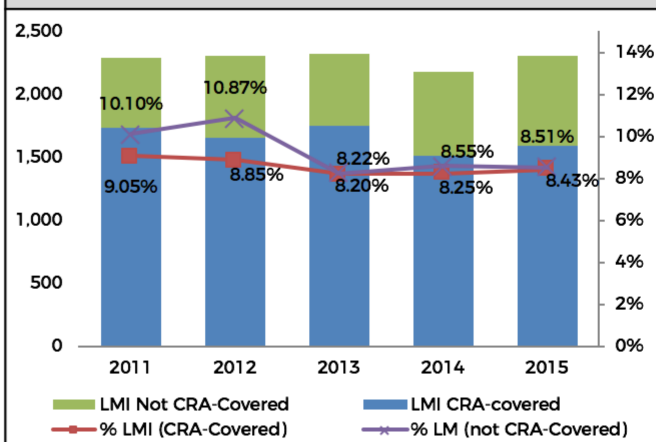
% non-covered FHA Home Purchase Loans



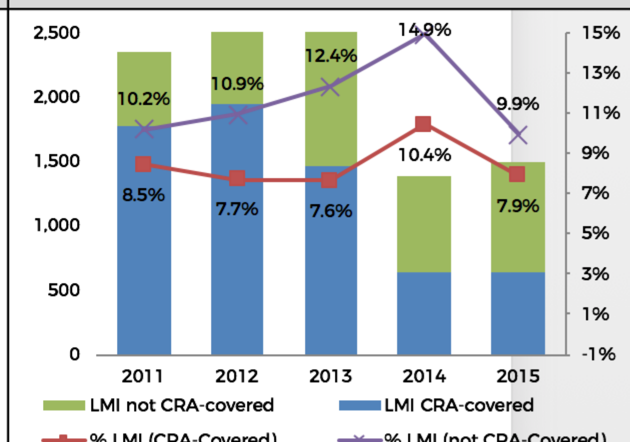
% non-covered FHA Refinance Loans



% Home Purchase Loans to LMI borrowers Covered/ non-covered



% Refinance Loans to LMI borrowers Covered/ non-covered



RECOMMENDATIONS

- **Increase home purchase lending**, particularly to lower-income people and neighborhoods, immigrants, and borrowers of color.

- **Regulators should expand the CRA** to better reflect the way mortgages are made today:

    - Expand the CRA to include non-bank lenders.

    - Require banks to include affiliate lenders on their CRA exam.

    - Expand assessment areas based on where banks lend, in addition to where they have branches. This is especially important for online lenders and banks that comprise a significant percentage of loans within a geographical region.

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

    - **Join and actively participate in nonprofit community-based organizations that assist current and potential homeowners.** Two such organizations are the New York Mortgage Coalition and Neighborhood Housing Services. These organizations train HUD-certified home counselors and work closely with the banks and clients to help homebuyers 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 homebuyers.

    - **Have dedicated loan officers, underwriters, and loan processors** who are fully knowledgeable about their products and able to make approval decisions in a timely manner. These staff should be responsive and available to housing counselors. Loan officers should be visible in the community so that potential homebuyers can speak to them directly.

    - **Offer 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. That being said, co-ops are a common affordable option and they often require a 10%-20% down payment, making financial assistance even more important. **Financial assistance** towards closing costs, down payment, and/or lowering interest rates can come in the form of savings incentives and grants and should have the ability to be layered with other government programs. Banks should also offer a portfolio product that enables them to **waive private mortgage insurance (PMI)** for down payments below 20%. Banks should ensure products extend to co-ops, including **limited equity co-ops,** another common source of affordable homeownership.

    - **Have 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.

    - **Require homebuyer counseling**: Any first-time homebuyer assistance should require pre-purchase counseling and connect potential homebuyers to a qualified provider.

- Banks should **offer affordable home improvement loans** and participate in government programs to assist lower-income homeowners, such as the City's Home Improvement Program (HIP) offered through New York City Housing Preservation and Development (HPD). With the combination of an aging housing stock, rising home prices, and low wages, it is as important to help people stay in their homes as it is to purchase new homes.

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

MULTIFAMILY LENDING

BACKGROUND

New York is a city of renters – nearly two-thirds of New Yorkers rent their homes and the majority live in multifamily apartment buildings. Private rent-regulated housing remains one of the most important sources of private, more affordable housing in the City. New York City has over one million rent-regulated units, nearly half of all rental units, as compared to the 12.8% subsidized (public housing and other subsidies) units and 39% private un-regulated[20] units. Rent-regulated units are typically more affordable and provide more rights and protections for tenants than market rate units.

Multifamily housing lending is the only category of loan that is analyzed under two areas of the CRA. Regulators first look at **the volume of loans inside and outside the assessment area and then the distribution of loans in low- to moderate-income census tracts**. Because these are commercial loans, they do not look at the income of the borrower as they do for 1-4 family homes. Second, regulators evaluate loans that banks submit for **community development credit**. These are typically buildings, deed-restricted or not, where over 50% of the units are affordable to lower-income tenants, but they may also get CRA credit if the building is otherwise determined to contribute to neighborhood stabilization or provide another community service.

New York City is losing affordable housing at a rapid pace; ANHD's Displacement Alert Project shows we have lost over 156,000 rent-regulated units from 2007-14[21]. While not all those were technically affordable, on average, rent-regulated units are more affordable and come with a strong set of tenant protections, including the right to renew a lease, the right to organize, and limits on how much the rent can go up each year. ANHD estimated that from 2008 to 2011, New York City lost over 116,600 rental units affordable to families earning up to 80% AMI[22]. Meanwhile, the number of apartments with rents $800-$899 declined by over 25% from 2011 to 2014[23]. Certain neighborhoods had very little affordable housing to begin with.

New York City has lost over 156,000 rent-regulated units from 2007 to 2014.

Access to credit is critical to maintaining affordable rent-regulated housing in the City, especially in lower-income neighborhoods. ANHD was formed in the 1970s when the City was suffering the consequences of severe disinvestment, where banks refused to invest in working class neighborhoods and communities of color. One only need see images of the dilapidated abandoned buildings of that time to understand why we cannot afford to go back to those days**.** Today, however, we are facing *overinvestment* rather than disinvestment. **Equally important to the volume of lending, if not more so, is that the loans are underwritten responsibly**. Speculative loans and loans to bad actor landlords 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. Such loans have led to the widespread harassment and eviction of lower-income tenants. **In fact, between 2003 and 2007, ANHD research found that private equity-backed developers purchased an estimated 100,000 units of affordable rent-regulated housing – nearly 10% of that housing stock.** [24]

20 Gaumer, E., West, S. (2015), "*Select Findings of the 2014 New York City Housing and Vacancy Survey*", published by the NYC Department of Housing Preservation and Development
21 https://anhd.org/resources-reports/displacement-alert-project-map-dap-map/
22 "2012 Community Analysis, How is Affordable Housing threatened in your neighborhood?", published by ANHD
23 Ibid 21
24 ANHD (2009) "Predatory Equity: the Evolution of a Crisis" The threat to New York's affordable rental housing:2005-2009

In 2008, in the wake of the economic crisis, the underwriting model became financially unsustainable as the real estate market collapsed and tenants were educated about their rights by community groups, which also fought to strengthen anti-harassment laws. This situation soon led to a crisis as overleveraged buildings faced financial default, which not only increased displacement pressure on tenants, but also often led to severely distressed physical conditions. Landlords then faced pressure to choose between making mortgage payments and neglecting basic building maintenance, and many owners frequently opted to disregard needed repairs.

The practice appears to be returning as prices rise citywide and gentrification threatens to enter neighborhoods never seen as targets before. According to the NYU Furman Center, between 2005 and 2014, the median rent increased by nearly 14.7% while the median income of renter households increased by only 1.7%[25]. The increase in Manhattan and Brooklyn were 21.7% and 17.2% respectively. Tenants are particularly vulnerable in rapidly gentrifying neighborhoods, such as Bedford-Stuyvesant, Bushwick, and Crown Heights in Brooklyn as well as in areas slated for rezoning, such as East New York in Brooklyn and Jerome Avenue in the Bronx. A tenant organizer at Cypress Hills Local Development Corporation working with tenants in East New York said, "Tenants have been caught totally unaware. This neighborhood was completely ignored for years and now it is the focal point of speculation and overinvestment. This is putting tremendous pressure on tenants who were not prepared to deal with this."

Unscrupulous landlords use a variety of tactics to harass out lower rent paying tenants, including aggressive buyout offers, "construction as harassment" where construction is done under such hazardous and messy conditions that it affects the health and well-being of the tenants, frivolous lawsuits, direct threats and intimidation, and rent increases through building and apartment renovations that may or may not have been done at the cost presented or done at all. Another common tactic to push out tenants is to remove "preferential rents" – rents below the legally registered rents – essentially raising the rent higher than the percentage allowed by the rent guidelines board. The City's Independent Budget Office found that as of 2013 at least 23% of rent-regulated tenants are paying preferential rents.[26] This is particularly prevalent in light of the rent freezes. They do all of this to get the rent up to $2,700 when the tenant vacates so they can remove it from the rent-regulation system. While $2,700 may not sound affordable, it is more affordable than market-rate in some neighborhoods. Also, the rent is reaching that amount faster than it would under normal circumstances, and once the rent hits $2,700, that unit is forever out of the rent-regulated system losing affordability and the tenant protections that come with rent-regulation.

In this section, we outline recommendations and best practices for multifamily lenders as well as recommendations for regulators when evaluating the CRA record of banks they regulate. This oversight is essential to maintaining this important stock of affordable housing. Once a rent regulated unit is de-regulated, it never comes back.

PRINCIPLES

- **CRA-covered banks must meet credit needs that enable healthy multifamily lending in low- and moderate-income neighborhoods.**

Healthy lending is the lifeblood of multifamily housing. We have seen the consequences of disinvestment in lower-income communities and communities of color. Unregulated, non-bank lenders are on the rise and receive much less oversight from state and federal regulators. We need banks at the table making responsible loans equitably in all communities. Banks should strive for the majority of their multifamily lending to be in low- to moderate-income neighborhoods.

- **Increase the volume of multifamily lending that qualifies as a community development loan under the CRA.**

New York City is one of the most expensive and segregated cities in the country, which has implications beyond just housing. One of the best ways to slow or reverse this effect is to provide access to affordable housing. This

25 Ibid 12
26 NYC Independent Budget Office *"How Many Rent-Regulated Units Are Rented at Preferential Rates and Where Are They Located?"*

helps lower-income residents stay in their neighborhoods, especially ones that are gentrifying, and give others the opportunity to move into higher-income areas. Community development loans in this context include responsible mortgages on private affordable rent-regulated buildings, project-based Section 8 buildings, and other affordable housing projects. As emphasized elsewhere in this report, we continue to encourage banks to explore all the ways they can partner with and support nonprofits whose housing is more likely to be deeply and permanently affordable. Other loans for affordable housing (construction loans, lines of credit, etc.) are discussed in more depth in the *Community Development Investments and Loans* section.

- **Banks should commit to best practices in multifamily lending.**
  - Underwrite to a **debt service coverage ratio (DSCR) of 1.2 or above, based on current rents and realistic maintenance costs**. This includes **underwriting to any preferential rents** in rent-regulated units rather than the higher registered rent. **Consider measures to discourage borrowers from taking out additional debt** without proper notification or approval and ensure additional debt does not cause the building to go below responsible debt service coverage ratio limits..
  - **Inspect the building itself** and **review conditions of the building and others owned by the prospective borrower** when evaluating a loan application.
  - Identify potential bad actor landlords:
    - **Analyze housing violation counts, New York City Department of Buildings violations**, **loss of rent-regulated units**, and other indicators on established lists such as the **University Neighborhood Housing Program's Building Indicator Project** (BIP) database, **HPD's distressed asset list**, and **additional indicators as they are available** in the future, such as loss of rent-regulated housing, harassment, and displacement.
    - Scrutinize landlords on the public advocate's "**Worst Landlord List**" and those **under investigation** by government agencies. Consult **media reports online** and be in **regular communication with tenant organizers** who are working on the ground every day to mitigate the impact of bad actor landlords.
  - When issues arise from any of the above sources**, secure a plan by the borrower to address them or else decline to make the loan**. If the bank already has the loan, work with the borrower to address the issues.
  - **Regulators must hold banks accountable for financing bad actor landlords**. The New York State Department of Financial Services (DFS) took an important step in declaring that loans that result in a loss of affordable housing or poor conditions will not get community development credit on CRA exams[27]. The FDIC and the Federal Reserve have been following similar practices. We urge the OCC to follow suit and for all regulators to make it as publicly known as DFS. Also, **these guidelines should extend to any loan made by the bank and any buildings used as collateral for a loan**, not just those submitted for CRA credit. Destructive lending of any sort should have a negative impact on a bank's CRA rating.
  - **Participate in First Look Program**: Even with the best of intentions, some loans will go bad, especially for banks that do high volumes of lending. Banks should participate in the First Look program developed by ANHD, HPD, and the New York City Council to responsibly transfer distressed properties to responsible preservation-minded developers, thus preserving much-needed affordable housing.
  - **Non-bank lenders** should be held to the same strict standards as bank lenders. Currently, non-bank lenders are not covered by the CRA or any oversight by federal or state bank regulators. This is particularly concerning given their increased lending on multifamily buildings.

27 http://www.dfs.ny.gov/legal/industry/il141204.pdf

TRENDS & FINDINGS

- **CRA-covered banks must meet the credit needs to purchase and maintain multifamily buildings by lending equitably to low- and moderate-income neighborhoods.**

TABLE 13: MULTIFAMILY LENDING AMONG RETAIL BANKS ($ IN MILLIONS)						
	2013	2014	2013-14	2014	2015	2013-14
MF Lending (# Loans)	4,607	3,688	-19.9%	3,586	4,457	24.3%
MF Lending (in $)	$17,122	$16,327	-4.6%	$16,762	$21,407	27.7%
MF Lending in LMI tracts (#)	2,140	1,852	-13.5%	1,768	2,358	33.4%
MF Lending in LMI tracts ($)	$6,379	$6,960	9.1%	$7,118	$9,946	39.7%
*2014-15 excludes Flushing Bank as we lack accurate 2015 data, but includes BankUnited which is new to study in 2014						

Multifamily lending picked up again in 2015 – increasing by 24% among the banks in our study, approaching 2013 levels. The amount loaned increased 28% in 2015 and was well above any of the prior four years. Much of the increase in 2015 was driven by Signature Bank, which reported nearly doubling their multifamily lending overall and increasing by 50% in low- to moderate-income tracts. BankUnited, Chase, Dime, and Santander also increased their loans in 2015, and New York Community Bank was fairly stable with over 900 loans in each year. Lending in lower-income tracts increased even more, up 24% by volume and 33% by dollar. We note that other lenders are also active in the multifamily space, including banks such as Customers Bank, Investors Bank, Peapack-Gladstone Bank, and People's United Bank and non-banks like Madison Realty Capital. Non-bank lenders are particularly problematic as they do not fall under bank supervision. Absent oversight under the CRA or safety and soundness examinations, we are concerned about the impact of their underwriting practices on the loss of affordable housing. We are paying particular attention to Madison Realty Capital. Their lending to Raphael Toledano resulted in many problems for the tenants in those buildings, including alleged harassment and displacement, irresponsible construction, and health problems[28]. Even these aggressive tactics did not allow Toledano to pay off his mortgage. The buildings have since gone into foreclosure[29].

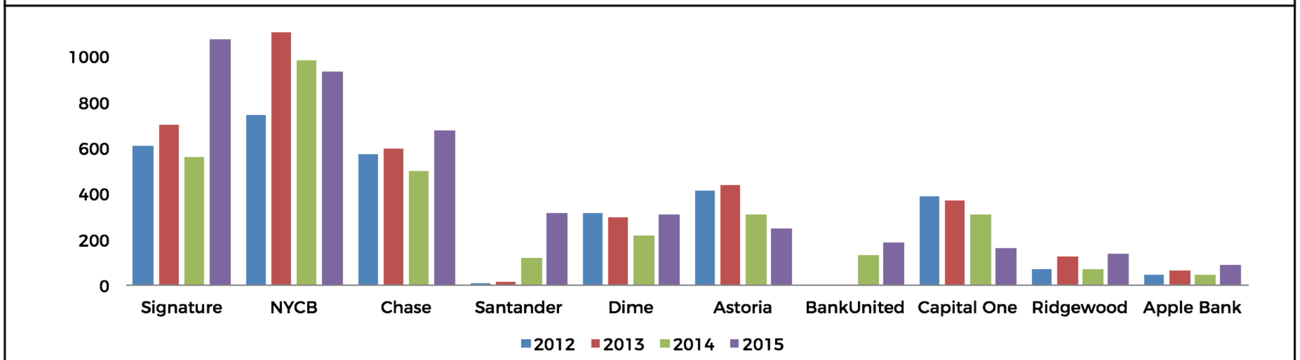
TABLE 14: HIGHEST % MULTIFAMILY LOANS IN LMI TRACTS 2015						
	MF Loans (#)	MF Loans ($)	In LMI tracts (#)	In LMI tracts ($)	% LMI (#)	% LMI ($)
Largest						
Citibank	19	$391	12	$217	63.2%	55.5%
Chase	675	$2,587	326	$996	48.3%	38.5%
M&T Bank	35	$510	16	$206	45.7%	40.3%
Capital One	162	$648	71	$349	43.8%	53.9%
Wells Fargo	31	$1,100	13	$376	41.9%	34.2%
Santander	313	$425	124	$170	39.6%	40%
Bank of America	75	$138	26	$46.93	34.7%	33.9%
TD Bank*	7	$32.45	4	$20.19	57.1%	62.2%
HSBC*	0	$0.00	0	$0.00	-	-
Smaller						
Ridgewood Savings Bank	140	$292	109	$203	77.9%	69.4%
Flushing Bank**	67	$51.28	47	$33.58	70.1%	65.5%
Popular Community Bank	37	$163	24	$117	64.9%	71.8%
New York Community Bank	936	$5,801	603	$3,337	64.4%	57.5%
Carver	25	$54.56	16	$38.80	64.0%	71.1%
BankUnited	189	$1,412	118	$758	62.4%	53.7%
Signature Bank	1,072	$5,485	582	$2,148	54.3%	39.2%
Astoria Bank	246	$733	123	$324	50.0%	44.3%
Dime	309	$1,041	133	$465	43.0%	44.6%
Emigrant	34	$16.60	14	$5.50	41.2%	33.1%
Apple Bank	88	$411	28	$137	31.8%	33.4%
Valley National Bank	64	$164	16	$30.81	25.0%	18.8%
* Fewer than 10 loans in 2015, ** HMDA data						

28 http://therealdeal.com/issues_articles/toledanos-fast-and-rocky-ride/
29 http://thevillager.com/2017/02/23/th-tha-thats-all-folks-lenders-to-foreclose-on-toledano-buildings/

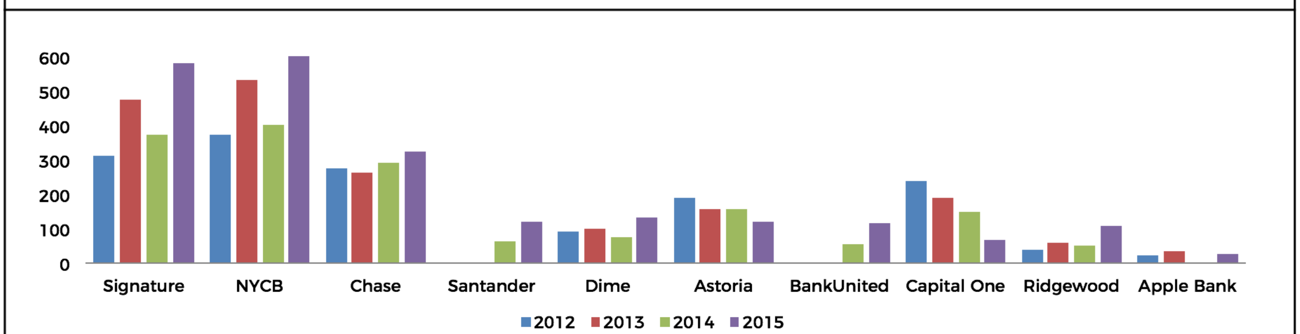
In 2015, the larger multifamily lenders in this study (Capital One, Chase, Dime, New York Community Bank, and Signature Bank) remained active. Santander is also emerging as a significant lender, with 313 loans in 2015, up from 119 in 2014. According to the Commercial Observer, between October 2014 and 2015, Chase, New York Community Bank, and Signature Bank were the top commercial lenders in the city, followed by Dime and Flushing Bank.[30] This includes multifamily buildings and other types of commercial real estate. In 2015, as in prior years, Chase, New York Community Bank, and Signature Bank made the highest volumes of loans overall and in lower-income neighborhoods. In 2015, Signature Bank actually surpassed New York Community Bank in number of originations overall and came close in low- to moderate-income tracts. After reentering the market in 2011 and increasing steadily through 2013, Astoria Bank's volume dropped in 2014 from 438 to 312 and again to 246 in 2015. BankUnited is new to our study and has been ramping up its lending rather quickly, from 130 loans to 189 loans in 2015. We can see the portfolio growth from other sources. Looking at public data, the bank held 362 loans by September 2015 and 462 loans by September 2016.

Among the larger volume multifamily lenders that made over 100 loans in 2015, Ridgewood Savings Bank made the highest percentage of loans in lower-income tracts with 78% in 2015, followed by New York Community Bank with 64% and BankUnited with 62%. Signature Bank was at 54%. Astoria Bank and Dime were at 50% and 43%, respectively. In 2014, Astoria Bank, Chase, Flushing Bank, Ridgewood Savings Bank, Santander, and Signature Bank all made over half of their multifamily loans in low- to moderate-income tracts.

TOP 10 LENDERS - ALL MULTIFAMILY LOANS



TOP 10 LENDERS- MF LOANS IN LMI TRACTS



- **The volume of multifamily lending that qualifies as a community development loan under the CRA increased 16.7% in 2015, but the dollar amount loaned decreased by about the same amount, indicating smaller loans on more buildings.**

We also inquire about multifamily loans for which banks seek CRA credit as community development loans. These are typically buildings, deed-restricted or not, where over 50% of the units are affordable to lower-income tenants, but they may also get CRA credit if the building is otherwise determined to contribute to neighborhood stabilization or provide another community service.

30 https://commercialobserver.com/2015/10/new-yorks-most-prolific-real-estate-lenders/

TABLE 15: MULTIFAMILY CD LENDING 2013-14, 2014-15						
	2013	**2014**	**2013-14**	**2014**	**2015**	**2014-15**
MF Lending (# Loans)	4,576	3,652	-20.2%	3,550	4,426	24.7%
MF Lending (in $)	$16,469	$15,123	-8.2%	$15,558	$20,307	30.5%
MF CD Lending (#)	1,325	1,026	-22.6%	890	1,039	16.7%
MF CD Lending ($)	$4,406	$5,916	34.3%	$5,704	$4,741	-16.9%
* 18 banks in all 3 years, but 2013-14 includes Flushing and 2014-15 includes BankUnited						

Overall, the number of community development loans increased 17% from 2014 to 2015 while the dollar amount declined 17%. This is a reverse from 2014 where the number of community development loans decreased 23% and the dollar amount increased 34%. The numbers at individual banks offer some insight into which banks focus more on affordable rent-regulated buildings (see table 16). For example, New York Community Bank and Ridgewood Savings Bank counted over 40% of their multifamily loans as community development loans, and for Signature Bank about a quarter did. Given the overall volume at New York Community Bank and Signature Bank, this represents a significant number of buildings and units. For Chase, the percentage was 10% in 2015, down from 16% in 2014, with the percentage of dollar amounts slightly lower. As in prior years, Bank of America makes a relatively low volume of multifamily community development loan by volume (18 of 75 loans) but a high percentage by dollar ($91 million of $138 million) indicating a smaller number of larger deals. We appreciate that some multifamily community development loans are for deed-restricted affordable housing and encourage banks to continue and increase that lending. In practice, however, most of the higher volume banks' multifamily affordable housing loans are for rent-regulated buildings, thus highlighting how critical these banks are to preserving this stock of housing. According to New York Community Bank's 2015 FDIC exam, "Approximately $7.9 billion (93.5%) of the qualified affordable housing loans are related to the bank's multi-family lending activities ... While the volume of affordable housing lending is significant on a quantitative basis, these loans were relatively standard in nature and therefore were given less weight from a qualitative perspective when compared to the bank's other community development loans." Signature Bank's 2012 exam says, "While many of these loans supported neighborhood revitalization, economic development, or other qualified activities, the majority of these loans involved existing multi-family properties that provide affordable housing." The high volume of affordable housing community development loans in the 2015 exam indicates a similar concentration of loans.

TABLE 16: HIGHEST PERCENTAGE OF MULTIFAMILY LOANS SUBMITTED FOR COMMUNITY DEVELOPMENT CREDIT								
	2014				**2015**			
Bank	**MF CD Lending (#)**	**MF CD Lending ($)**	**% of all multi-family (#)**	**% of all multi-family ($)**	**MF CD Lending (#)**	**MF CD Lending ($)**	**% of all multi-family (#)**	**% of all multi-family ($)**
Largest								
Citibank	8	$316	**100%**	**100%**	12	$248	**63.2%**	**63.5%**
TD Bank	0	$0.00	0.0%	0.0%	2	$7.18	**28.6%**	22.1%
Bank of America	10	$54.41	10%	**85.3%**	18	$91.12	**24%**	**65.9%**
Santander	2	$1.72	1.7%	0.3%	34	$167	10.9%	**39.4%**
Chase	80	$234	**16.1%**	14%	68	$174	10.1%	6.7%
Capital One	45	$469	**14.7%**	**46.2%**	15	$156	9.3%	24.1%
M&T Bank	3	$173	5%	33.3%	1	$21.00	2.9%	4.1%
Smaller								
Ridgewood Savings Bank	35	$47.20	**48.6%**	**35.8%**	63	$113	**45.0%**	**38.6%**
New York Community Bank	398	$3,381	**40.5%**	**57.3%**	379	$2188	**40.5%**	**37.7%**
Emigrant	20	$5.60	35.7%	26.9%	13	$5.49	**38.2%**	33.1%
Apple Bank	8	$13.48	17.8%	6.1%	28	$137	31.8%	33.4%
Astoria Bank	75	$134	24%	15.7%	60	$165	24.4%	22.5%
Signature Bank	153	$701	27.3%	**28.3%**	261	$909	24.3%	16.6%
Popular Community Bank	10	$9.28	**52.6%**	26.3%	9	$7.47	24.3%	4.6%
Carver	2	$0.95	22.2%	7.9%	6	$18.08	24%	33.1%
Dime	41	$164	18.9%	23.9%	45	$170	14.6%	16.4%
BankUnited	0	$0.00	0.0%	0.0%	19	$98.14	10.1%	7%
Valley National Bank	0	$0.00	0.0%	0.0%	6	$63.60	9.4%	**38.7%**
Flushing Bank	136	$212	58.6%	54.7%				

The lower volume of multifamily community development loans for banks like Chase and Bank of America could mean they are not putting as many resources into affordable rent-regulated buildings, or conversely, that they reach their volumes of community development lending in other areas and do not track affordability as closely in their standard multifamily lending. Given Chase's volume of lending, it is likely the latter. While we certainly value that they seem to be putting forth more intentional deals for CRA credit, we want banks and regulators paying attention to buildings where rents are more affordable, regardless of whether or not they get CRA credit.

- **Banks must commit to responsible multifamily lending.**

Responsible lending is critical to maintaining the affordable rent-regulated housing in the City, and especially in lower-income neighborhoods. In addition, rent-regulated units provide tenant protections that go beyond affordability. Once a unit is taken out of rent-regulation, it never returns. **Bad lending is as destructive as good lending is necessary.** Multifamily lenders must understand the rent-regulation system and how to appropriately underwrite these loans so that owners of these buildings are encouraged to preserve affordability and penalized when they are found to be harassing or evicting lower-rent paying tenants in order to drive up the rents. Regulators must hold banks accountable for loans to landlords that engage in such tactics.

While the best information is first-hand stories from tenants, we have data to identify buildings where conditions and situations might warrant a closer look. One source is the Building Indicator Project (BIP) database, developed by the University Neighborhood Housing Program. The BIP database lists every privately owned residential multifamily building in the City and the lender, owner, and management company on record. Each building receives a BIP score based on a combination of violations, liens, and fines. A BIP score of 800 or more means the building is likely to be in physical and/or financial distress. A second source is the Public Advocate's Worst Landlord list, which identifies landlords that evidence patterns of neglect. Other sources include watchlists from groups like Stabilizing NYC and other tenant organizers; active investigations by elected officials and regulators, such as the state attorney general; and ANHD's new Displacement Alert Mapping project (DAP Map), whichhighlights buildings that are selling for prices higher than the average building in the community district and have a higher than average loss of rent-regulated units.

When using the September 2016 BIP database, we analyze recently financed buildings (financed in the past 10 years). Table 17 shows the lenders in this study with the highest percentage of buildings or units at risk. As a point of comparison, we also show data for the top 20 bank lenders in BIP (Table 18). As of September 2016, among the larger banks, Wells Fargo has the second highest percentage of buildings at risk of distress with 2.4%, but just 0.31% of units. As in prior years, this indicates a larger number of smaller buildings at risk. Signature Bank and Popular Community Bank have among the highest percentages of units likely in distress. While we recognize this is a small percentage of their portfolios, we also note a sharp increase at Signature Bank with 41 buildings with 942 units having a BIP score at or over 800, up from 27 buildings and 594 units just a year earlier. This is by far the largest number of buildings of the banks in our study. Capital One is second with 12 buildings, followed by New York Community Bank and Chase with 11 each.

Other trends in BIP are worth noting as well. For example, buildings are more likely to be in physical distress if they have a high ratio of B and C violations issued to units. These are violations issued by New York City's Department of Housing Preservation and Development (HPD) for hazardous conditions in an apartment. Among the lenders in this study, Chase, Flushing Bank, and Signature Bank have the most buildings and units with a ratio of at least 4:1 violations per unit; 120 buildings (4%) with 1,092 units (1.5%) at Chase; 79 buildings (5.4%) with 615 units (2.7%) at Flushing Bank; and 124 buildings (5.2%) with 1,132 units at Signature Bank (1.8%). HSBC and Wells Fargo had higher percentages of buildings but at much lower volumes.

The overall low number of buildings and units with high signs of distress are promising, indicating that the City's targeted code enforcement efforts coupled with successful organizing by community organizations are having an impact. However, we must also note that few data sources will catch buildings before they go into distress or buildings in disrepair where tenants have not reported violations to HPD. BIP is not designed to identify other harmful practices, such as tenant harassment, overleveraging, and note sales. Lower BIP scores or violation counts within bank portfolios could also indicate that landlords are successfully either harassing tenants out before the building falls into distress or else selling troubled debt to other lenders or servicers. Given how rapidly building prices and rents are rising in the City, landlords are using a variety of means to harass lower-rent paying tenants out of their buildings in order to get higher rents.

NEW TOOLS FOR RESPONSIBLE UNDERWRITING: ANHD'S DISPLACEMENT ALERT PROJECT MAP (DAP MAP)

Any bank that lends on rent-regulated multifamily housing in New York City must commit to a set of responsible practices that preserves affordable housing and does not lead to harassment or displacement of lower-income and lower-rent paying tenants. Banks should underwrite loans to a debt service coverage ratio (DSCR) of 1.2 or above, based on current rents, including preferential rents, and realistic maintenance costs. This ensures that the rental income generated is sufficient to pay for necessary upkeep and repairs as well as the mortgage with the current tenants in place.

But that alone is not enough. Banks need to ensure that landlords are responsibly maintaining their properties and respecting the rights of the tenants. A number of well-respected tools are well known to identify incidents of physical and/or financial distress, including University Neighborhood Housing Program's Building Indicator Project (BIP) and HPD's distressed asset list, as well as the New York City Public Advocate's Worst Landlord List and other sources of housing violations and liens.

However, while BIP is great at catching signs of physical and financial distress, oftentimes harassment does not result in distress, especially when the harassment is successful in displacing tenants and artificially raising the rent roll. Likewise, the Worst Landlord List is also very valuable, but is based on a narrow set of data related mainly to violations. Neither of these indicators will proactively catch overleveraging, harassment, or displacement before a building goes into distress. Banks need to use all available resources to identify patterns of harassment and displacement, including internet searches for reports of harassment and regular communication with tenants and tenant organizers.

New York City lost tens of thousands of units of rent-regulated housing from 2007-14. In many cases, we suspect units were lost because of unscrupulous landlords using all tactics – legal, semi-legal, and illegal – to push out lower rent-paying tenants. Banks should do everything possible to avoid contributing to this loss. One new tool that ANHD has developed is called the Displacement Alert Project Map (DAP Map). The DAP Map is a building-by-building, web-based interactive map designed to show where residential tenants may be facing significant displacement pressures and where affordable apartments are most threatened across New York City. The map shows three major data points for each building and a color scale to indicate how the building compares to others in the neighborhood: Loss of Rent Regulated units from 2007-14, New York City Department of Building work permits 2013-15, and a Speculation indicator to compare the most recent sale price to the average sale price in the community district in 2010.

This map was designed as a tool for community advocates, but banks can also use it when looking at their current portfolio or new loans they are considering. It may also prove useful for regulators to consult when evaluating a bank's portfolio. If a building shows a higher risk of any of these indicators, it warrants a second look at the landlord and/or management company to assess how they may be contributing to a loss of affordable rent-regulated housing.

Banks must commit to lending to responsible landlords who will maintain affordability and respect tenants' rights. Banks have an obligation to use all available resources to assess the quality of their borrowers. This is one more tool for banks to use.

TABLE 17: DATA FROM BUILDING INDICATOR PROJECT (BIP) DATABASE SEPT 2016 - ANALYZING BUILDINGS FINANCED IN PREVIOUS 10 YEARS	Total		BIP >800 last 10 yrs				B+C:units >=4			
	Bldgs	**Units**	**Bldgs**	**% Bldgs**	**Units**	**% Units**	**Bldgs**	**% Bldgs**	**Units**	**% Units**
Largest										
HSBC	131	2,659	4	3.05%	43	1.62%	17	13%	115	4.32%
Wells Fargo	338	26,906	8	2.37%	83	0.31%	38	11.2%	280	1.04%
Bank of America	141	6,737	3	2.13%	149	2.21%	4	2.84%	23	0.34%
TD Bank	206	5,888	3	1.46%	32	0.54%	10	4.85%	117	1.99%
Citibank	100	4,279	1	1%	5	0.12%	9	9%	52	1.22%
Capital One	1,431	55,293	**12**	0.84%	220	0.4%	35	2.45%	370	0.67%
M&T Bank	366	17,245	3	0.82%	40	0.23%	9	2.46%	81	0.47%
Santander	1,297	64,742	6	0.46%	**521**	0.80%	17	1.31%	214	0.33%
Chase	2,980	75,171	**12**	0.40%	295	0.39%	**120**	4.03%	**1,092**	1.45%
Smaller										
Signature Bank	2,396	63,269	41	1.71%	**942**	1.49%	**124**	5.18%	**1,132**	1.79%
Popular Community Bank	151	2,415	2	1.32%	15	0.62%	12	7.95%	110	4.55%
Carver	94	1,247	1	1.06%	16	1.28%	3	3.19%	31	2.49%
Emigrant	210	1,783	2	0.95%	22	1.23%	16	7.62%	98	5.50%
BankUnited	460	13,664	4	0.87%	123	0.9%	12	2.61%	113	0.83%
Apple Bank	355	19,791	3	0.85%	176	0.89%	8	2.25%	244	1.23%
Flushing Bank	1,465	22,462	9	0.61%	211	0.94%	**79**	5.39%	**615**	2.74%
Valley National Bank	389	18,892	2	0.51%	47	0.25%	10	2.57%	73	0.39%
Ridgewood Savings Bank	401	6,493	2	0.50%	69	1.06%	13	3.24%	119	1.83%
New York Community Bank	3,984	180,259	11	0.28%	**896**	0.5%	32	0.80%	553	0.31%
Astoria Bank	1,449	51,879	4	0.28%	75	0.14%	28	1.93%	231	0.45%
Dime	1,557	40,685	4	0.26%	75	0.18%	28	1.80%	283	0.70%
Wholesale										
Deutsche Bank	147	9,777	7	4.76%	190	1.94%	16	10.9%	125	1.28%
BNY Mellon	186	10,908	4	2.15%	28	0.26%	9	4.84%	96	0.88%

Icon Realty has been cited in the media as a problematic landlord, particularly in the Lower East Side in Manhattan and parts of Brooklyn. While only one building currently has a BIP score over 800, organizers have documented numerous problems in their buildings. According to one article, "When landlords want certain low-rent tenants out of their buildings (rent-regulated residents seem to be the major targets) construction as harassment is a tried and true method of making people's lives miserable enough that they'll take a buyout or in the worst cases, fearing for their safety, flee altogether. But lately, city leaders have acknowledged that this problem has crossed the line, from exceptional cases to the modus operandi for some owners. Tenants say that Icon Realty, a company that's been buying up property in the East Village (and lately, selling it for a killing) qualifies as a member of the latter group[31]."

This article cites issues in multiple Icon Realty buildings, including 522 East 5th Street, 128 2nd Avenue, and 57 2nd Avenue. Residents at 128 2nd Avenue went for months without gas in 2015[32]. M&T Bank made the original loan on 128 2nd Avenue and Signature Bank took over the loan, just a few months after ANHD had written to the bank and regulators about issues in this building and with this landlord. BankUnited, M&T Bank, and Signature Bank appear to be Icon Realty's main lenders. As of December 2016, BankUnited had 38 Icon Realty buildings in its portfolio, more than any other bank followed by 22 with M&T Bank and 20 with Signature Bank.

A similar story emerges with Raphael Toledano. Toledano is a relatively new player in New York City real estate, but he quickly became known to the public as a bad actor when news outlets reported on tenants suing him for aggressive intimidation tactics[33] for which he ultimately paid $1 million to settle[34]. In September 2015, long before the case was settled, he purchased a large portfolio in the Lower East Side and proceeded to use even harsher tactics to displace tenants, including contamination during construction, buyout offers, and cutting off essential services[35]. Madison Realty Capital made a $124 million loan to purchase the buildings, which a veteran real estate investor described as

31 http://bedfordandbowery.com/2015/11/east-village-tenants-say-enough-is-enough-to-alleged-predatory-landlord/
32 https://www.dnainfo.com/new-york/20150619/east-village/landlord-has-not-fixed-gas-hot-water-months-after-court-order-tenants
33 http://www.nydailynews.com/new-york/state-probing-landlord-accused-strong-arming-tenants-article-1.2335082
34 https://therealdeal.com/2016/05/16/toledano-to-pay-1m-plus-in-settlement-of-ev-tenant-harassment-suit/
35 http://thevillager.com/2016/04/21/heavy-metal-toledano-tenements-lead-levels-are-through-the-roof/

TABLE 18: TOP 20 BANK LENDERS IN BUILDING INDICATOR PROJECT (BIP) DATABASE SEPT 2016- ANALYZING BUILDINGS FINANCED IN PREVIOUS 10 YEARS

	Total		BIP >800 last 10 yrs				B+C:units >=4			
	Bldgs	Units	Bldgs	% Bldgs	Units	% Units	Bldgs	% Bldgs	Units	% Units
Customers	443	12,286	**17**	3.84%	**530**	4.31%	23	5.19%	289	2.35%
Wells Fargo	338	26,906	8	2.37%	83	0.31%	38	11.2%	280	1.04%
Signature Bank	2396	63,269	**41**	1.71%	**942**	1.49%	**124**	5.18%	**1,132**	1.79%
BankUnited	460	13,664	4	0.87%	123	0.90%	12	2.61%	113	0.83%
Apple Bank	355	19,791	3	0.85%	176	0.89%	8	2.25%	244	1.23%
Capital One	1431	55,293	**12**	0.84%	220	0.40%	35	2.45%	370	0.67%
M&T Bank	366	17,245	3	0.82%	40	0.23%	9	2.46%	81	0.47%
People's United Bank	385	12,131	3	0.78%	80	0.66%	16	4.16%	165	1.36%
Peapack-Gladstone Bank	290	9,566	2	0.69%	128	1.34%	8	2.76%	82	0.86%
National Cooperative Bank (NCB)	323	14,437	2	0.62%	29	0.20%	1	0.31%	10	0.07%
Flushing Bank	1465	22,462	9	0.61%	211	0.94%	**79**	5.39%	**615**	2.74%
FNB of Long Island	352	8,972	2	0.57%	65	0.72%	8	2.27%	113	1.26%
Investors Bank	1,131	25,119	6	0.53%	224	0.89%	43	3.8%	395	1.57%
Valley National Bank	389	18,892	2	0.51%	47	0.25%	10	2.57%	73	0.39%
Ridgewood Savings Bank	401	6,493	2	0.5%	69	1.06%	13	3.24%	119	1.83%
Santander	1,297	64,742	6	0.46%	521	0.8%	17	1.31%	214	0.33%
Chase	2,980	75,171	**12**	0.40%	295	0.39%	**120**	4.03%	**1,092**	1.45%
New York Community Bank	3,984	180,259	11	0.28%	**896**	0.50%	32	0.80%	553	0.31%
Astoria Bank	1,449	51,879	4	0.28%	75	0.14%	28	1.93%	231	0.45%
Dime	1557	40,685	4	0.26%	75	0.18%	28	1.8%	283	0.7%
Maspeth Federal Savings	323	2,863	0	0.00%	0	0.00%	11	3.41%	82	2.86%

leaving Toledano "over leveraged" and that Toledano is now "pushing up rents to pay off a high mortgage."[36] **On the same day that mortgage was made to Toledano, Signature Bank issued a loan to Madison Realty Capital with this portfolio as collateral. Signature Bank held the loan through June 2016, amidst some of the worst acts of alleged harassment by Toledano.** Signature Bank has also made a few direct loans to Toledano. Due to the nature of the collateral loan, Signature Bank would likely not submit it for CRA credit, but regardless, banks should uphold both the letter and the spirit of the CRA by ensuring that the loans they make and the loans they use as collateral uphold these standards to preserve affordable housing and protect tenant's rights.

The Public Advocate's Worst Landlord list is another indicator of banks making loans that can have a destabilizing impact on the community. The most recent list was released in October 2016. In the previous 10 years, Signature Bank appears to have financed over 60 multifamiiy buildings (5+units) on the list, more than any other individual bank lender. **Flushing Bank financed the worst building in the Bronx at 919 Prospect Avenue.** "The conditions we saw at 919 Prospect Avenue are inhumane and unacceptable," said the public advocate. "No person should be subjected to this type of environment."[37] Ved Parkash was named number one on the list in 2015 and number four in 2016 and he is also a primary target of the Stabilizing NYC coalition[38]. As of December 2016, Signature Bank had 20 Parkash-owned buildings in its portfolio, New York Community Bank had 18, and Capital One 14. Signature Bank financed two of the four Parkash-owned buildings on the Worst Landlord list. Only two of his buildings have BIP scores over 800, but the problems extend beyond those two buildings. The Parkash Tenant Coalition, comprised of tenants from over 10 of Parkash's properties, has been organizing for years to get Parkash to respond to ongoing maintenance issues in their buildings. Just this past December, they filed another lawsuit and held a press

36 http://therealdeal.com/issues_articles/toledanos-fast-and-rocky-ride/

37 http://www.bxtimes.com/stories/2016/43/43-worstlandlords-2016-10-21-bx.html

38 https://stabilizingnyc.org/our-work/target-landlords/

conference in front of the Bronx Housing Court to demand improvements[39]. Yet, despite this terrible track record, Parkash continues to have access to bank financing to purchase new buildings. **In fact, Signature Bank loaned Parkash $16.5 million in September 2016 to acquire 2899 Kingsbridge Terrace and 2905-2907 Kingsbridge Terrace and another $5 million in February 2017 to acquire yet another building at 11 West 172nd Street.**

Signature Bank loaned Parkash $16.5 million in September 2016 to acquire 2899 Kingsbridge Terrace and 2905-2907 Kingsbridge Terrace

No public data exists to indicate an overleveraged building that has not yet fallen into distress, which is one of the most serious threats to rent-regulated housing. A speculative loan that moves out lower-rent paying tenants and brings in higher-paying tenants 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 expenses of the building.

and another $5 million in February 2017 to acquire yet another building at 11 West 172nd Street.

Most importantly, banks must take positive steps to address issues of concern. All lenders, especially those with rent-regulated buildings, should commit to best practices and lend only to landlords who maintain buildings in good condition and preserve their affordability. During the process of acquiring Astoria Bank, **New York Community Bank entered into a historic CRA agreement with ANHD committing to a set of best practices in multifamily lending**[40]. While the merger fell through, we appreciate that the bank appears committed to these practices. All banks should commit to this.

When a building does go into default, 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. We know what First Look can accomplish when lenders work collaboratively with the City and nonprofit organizations to replace bad landlords with community-based nonprofit developers. Buildings go from being unstable community problems to long-term community assets. Unfortunately, as the market is heating up, fewer buildings are making it to nonprofit developers as the banks are finding higher bidders elsewhere. We look forward to working with the City and the banks to find ways to transfer more buildings to preservation-minded nonprofit developers.

TABLE 19: TOP BANK LENDERS IN THIS STUDY FINANCING STABILIZING NYC LANDLORDS*

	Alma Realty**	BCB	Coltown	Croman	Icon	Isaac Herskovitz	Ved Parkash**	Toledano	Zara	All Year
New York Community	48	2	17	89	2	1	18			
Signature	18	18	2	3	20		20	5		10
BankUnited		2		4	38	5				13
Capital One	2			19	5		14		4	3
M&T					22				23	
Dime		4		8			1			
Popular Community						4				9
Chase	11									
Total (all bank/non-bank lenders)	**118**	**37**	**22**	**131**	**92**	**52**	**65**	**22**	**31**	**100**

* BIP Dec. 2016 database. Banks that financed 10 or more buildings owned/managed by this set of landlords in the past 10 years. List current as of this publication.
** Efstathios Valiotis of Alma Realty is #3 on the Worst Landlord List; Ved Parkash is #4;

39 http://www.bxtimes.com/stories/2016/53/53-pakash-2016-12-30-bx_.html
40 http://anhd.org/ny-community-banks-strong-cra-plan/

NON-BANK LENDERS: UNREGULATED AND UNACCOUNTABLE

ANHD has long paid close attention to banks that lend to bad actor landlords. Banks covered by the Community Reinvestment Act (CRA) have a particular responsibility to ensure that their lending preserves affordable housing and does not lead to displacement and harassment of lower-income tenants. They also undergo “safety and soundness” examinations which evaluate if a bank’s loans are sustainable and if the housing is in decent condition. Of course these exams are far from perfect as banks continue to lend to known bad actors and on buildings in poor condition. However, regulators and some banks are taking important steps forward to improve practices. Also, regulators have oversight over the banks, which provide opportunities for increased enforcement when bad lending happens.

While banks continue to dominate the multifamily market, there exists a growing class of lenders – non-bank commercial lenders – that fall outside of regulatory oversight. These lenders are not regulated like banks and thus are not subject to the CRA or safety and soundness exams. If they do not meet certain asset or volume thresholds, they will not be included in Home Mortgage Disclosure Act (HMDA) either. These lenders may often do riskier deals with lower debt service coverage ratios, expect higher rates of return, and care little about the rights of the tenants in the buildings on which they lend. They have no incentive under the CRA to support affordable housing or protect tenants.

Madison Realty Capital is one such lender on our radar. In 2015, they made a $124 million loan to Raphael Toledano to purchase a 15-building portfolio in the East Village, well over the $94 million he paid for the buildings. News coverage has documented some of the risky lending patterns that Madison Realty Capital maintains. The Real Deal quoted a veteran real estate investor regarding this deal, saying that Madison Realty Capital’s $124 million loan to Toledano left him “over leveraged,” and that Toledano is now “pushing up rents to pay off a high mortgage.” One of the mortgages Madison Realty Capital issued Toledano went as far as to require him to spend $2 million of the loan exclusively on tenant buyouts or renovations – practices which often trigger huge rent increases. Indeed, these loans proved unsustainable and Madison Realty Capital foreclosed on Toledano in February 2017. Meanwhile, the media reported how the tenants suffered greatly under Toledano’s ownership, facing irresponsible construction, lack of essential services, lead dust contamination, and frivolous lawsuits. However, because Madison Realty Capital is not a bank and thus not regulated as banks are, there is no incentive for them to address the situation and little recourse anyone can take to hold them accountable.

Madison Realty Capital is just one of many non-bank lenders on the landscape now. While not every non-bank lender acts irresponsibly, this system still creates an unequal playing field and puts tenants at further risk of displacement. This could be exacerbated if more banks do the right thing and stop lending to known bad-actor landlords and non-banks fill in the void. All lenders – banks and non-banks – should be held to the same standards and ensure that their loans support and do not erode affordable housing. There must be consequences for irresponsible loans that result in harassment, neglect, or displacement.

RECOMMENDATIONS

- **CRA-covered banks must meet credit needs that enable healthy multifamily lending in low- and moderate-income neighborhoods.** Banks should strive for the majority of their multifamily lending to be in low- to moderate-income neighborhoods.

- **CRA-covered banks should increase the volume of multifamily lending that qualifies as a community development loan under the CRA.** Community development loans in this context include responsible mortgages on affordable rent-regulated buildings, project-based Section 8 buildings, and other affordable housing projects.

- **Banks should commit to best practices in multifamily lending.**

    - Underwrite to a **debt service coverage ratio of 1.2 or above**, based on **current rents and realistic maintenance costs**. This includes **underwriting to any preferential rents** in rent-regulated units rather than the higher registered rent. **Consider measures to discourage borrowers from taking out additional debt** without proper notification or approval and ensure additional debt does not cause the building to go below responsible debt service coverage ratio limits.

    - **Inspect the building itself** and **review conditions of the building and others owned by the prospective borrower** when evaluating a loan application.

    - Identify potential bad actor landlords:

        - **Analyze housing violation counts, New York City Department of Buildings violations**, **loss of rent-regulated units**, and other indicators on established lists such as the University Neighborhood Housing Program's **Building Indicator Project** (BIP) database, **HPD's distressed asset list**, and **additional indicators as they become available** in the future, such as displacement, loss of rent-regulated units, and harassment.

        - Scrutinize landlords on the public advocate's **"Worst Landlord List" and under investigation** by government agencies. Consult **media reports online** and be in **regular communication with tenant organizers** who are working on the ground every day to mitigate the impact of bad actor landlords.

    - When issues arise from any of the above sources**, secure a plan by the borrower to address them or else decline to make the loan**.

- **Regulators must hold banks accountable for financing bad actor landlords**. The New York State Department of Financial Services (DFS) took an important step in declaring that loans that result in a loss of affordable housing or poor conditions will not get community development credit on CRA exams[41]. The FDIC and the Federal Reserve have been following similar practices. We urge the OCC to follow suit and for all regulators to make it as publicly known as DFS. Also, **these guidelines should extend to any loan made by the bank and any buildings used as collateral for a loan**, not just those submitted for CRA credit. Destructive lending of any sort should have a negative impact on a bank's CRA rating. The New York State Department of Financial Services should also license and regulate non-bank lenders.

- **Banks should participate in First Look Program.** Even with the best of intentions, some loans will go bad, especially for banks that do high volumes of lending. Banks should participate in the First Look program developed by ANHD, HPD, and the New York City Council to responsibly transfer distressed properties to responsible preservation-minded developers, thus preserving much-needed affordable housing.

- **Non-bank lenders** should be held to the same strict standards as bank lenders. Currently, non-bank lenders are not covered by the CRA or any oversight by federal or state bank regulators.

41 http://www.dfs.ny.gov/legal/industry/il141204.pdf

COMMUNITY DEVELOPMENT LOANS & INVESTMENTS

BACKGROUND

Community development loans and investments provide vital financing to build and preserve affordable housing, create jobs and economic development opportunities, and improve and revitalize City neighborhoods. New York City is on the forefront of affordable housing creation and preservation, with innovative programs and initiatives rarely seen elsewhere. This investment would not have been possible without the CRA, and will be more important than ever in the coming years. **Community development under the CRA** encompasses a wide but well-defined range of activities targeting low-and moderate-income people and communities to increase access to affordable housing, provide community services, promote economic development, revitalize or stabilize communities, and support certain foreclosure prevention activities.

CRA-qualified investments are lawful investments, deposits, or membership shares that have community development as their primary purpose. For example, banks may purchase mortgage government bonds or Low-Income Housing Tax Credits (LIHTC) or New Markets Tax Credits (NMTC) that fund affordable housing construction or rehabilitation and other larger scale developments. Investments also include community development grants, but given their small size relative to other investments and their importance to nonprofits, we examine those separately in our philanthropy section.

Community development loans and investments provide vital financing to build and preserve affordable housing, create jobs and economic development opportunities, and improve and revitalize City neighborhoods.

Under the **CRA lending test**, banks are evaluated on their "core lending" – **1-4 family and multifamily mortgages and small business loans** – as well as the quantity and quality of their **community development loans**, which are loans that meet a community development purpose as defined above. In most cases, banks cannot double-count loans to be evaluated in both categories, meaning that their 1-4 family loans and small business loans cannot also be evaluated as community development loans. The one exception is multifamily loans. Banks can also receive community development credit on CRA exams for permanent financing of multifamily buildings where rents are affordable to lower-income tenants, or where the building is otherwise determined to have a community development purpose, 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.

When evaluating core lending, regulators evaluate the **volume and distribution** of loans, analyzing both **geographic characteristics** (low- and moderate-income census tracts) and **borrower characteristics** (low- and moderate-income borrowers, small businesses with revenues under $1 million). Community development lending goes beyond those criteria and evaluates how banks are meeting the credit needs of lower-income people and communities to improve conditions, such as by increasing access to jobs, community services, affordable housing, and more stable neighborhoods. We would expect the community development lending to align with a bank's business model. For example, a bank that finances the construction or renovation of multifamily housing is likely to finance the construction or rehabilitation of affordable housing, more so than a bank that does not engage in that line of business.

PRINCIPLES

- **All banks should maintain and increase their community development loans and investments.**

Banks are an integral part of the system to support community development in all its forms. ANHD recommends that banks devote 5% of local deposits to core and community development reinvestment. Community development loans and investments are a key component of that obligation. Banks at or above that amount should maintain and increase while banks well below should take steps to reach it.

- **Quality must be taken as seriously as quantity.**

One factor that can get lost in the overall dollar amounts of community development lending is the **impact of the lending**. Under the lending test, greater weight is placed on areas where banks do more business. For example, banks like Citibank or HSBC will be evaluated more heavily on their 1-4 family lending and less so on multifamily lending, while the opposite is true for New York Community Bank or Signature Bank. Regulators evaluate the volume and equitable distribution of core loans. Community development lending goes beyond that to support low- and moderate-income people and communities to increase access to jobs, community services, affordable housing, and more stable neighborhoods. We expect some of the community development lending to align with a bank's business model. But, as will be discussed below, a strong community development team allows a bank to respond to a variety of credit needs, even those outside their area of business.

ANHD has noticed that some banks that do a large volume of commercial lending technically satisfy their CRA obligations mostly by identifying their core business loans that meet certain criteria, typically based on the rents or location of the loan rather than the actual people impacted. For example, a loan to attract or retain a retail center in a lower-income census tract will automatically get community development credit, regardless of the impact on jobs or residents. **While it is important to have credit flowing to these neighborhoods, that is only the case if it benefits the local community and not if it fuels gentrification and displacement.**

While it is important to have credit flowing to these neighborhoods, that is only the case if it benefits the local community and not if it fuels gentrification and displacement.

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

- **Banks should prioritize nonprofit developers.**

Affordable housing built and managed by a nonprofit 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 subsidies expire. Likewise, the housing is more likely to be affordable to local residents. **Nonprofit community development corporations (CDCs) and developers are locally rooted and mission-driven to serve the low-income, immigrant, and high-needs populations in their communities, with many having done so successfully over decades.** They build and preserve permanent deeply affordable housing, assist tenants in those units and throughout their neighborhoods, create space for local businesses that provide quality jobs, provide direct assistance to the businesses to grow and thrive, create new economic opportunities for people in the neighborhoods to find quality jobs, and provide a myriad of other services for the local communities.

Banks must take an intentional approach to partnering with nonprofits, particularly CDCs, to ensure that they have access to affordable equity and credit to further their missions. This includes **supporting the smaller and most effective nonprofit developers** with targeted affordable products to build and preserve affordable housing and create quality jobs. This includes acquisition and predevelopment costs, smaller loans and smaller deals, and more appropriate risk assessment that does not penalize nonprofit developers with higher fees and less desirable loan terms.

Nonprofit community development corporations (CDCs) and developers are locally rooted and mission-driven to serve the low-income, immigrant, and high-needs populations in their communities, with many having done so successfully over decades.

- **Banks should have a strong community development team with a presence in New York City.**

It has been ANHD's experience that the banks with the most effective reinvestment programs 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 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 means that a bank has to understand that the community context of neighborhoods varies greatly from one neighborhood to another. The community development and lending needs of Long Island City in Queens are very different from those of Jackson Heights or Jamaica, just as the development and lending contexts of the Highbridge section of the Bronx are very different from the Grand Concourse corridor in the same borough. A bank needs locally engaged expert staff to fully understand the needs and the opportunities of these diverse neighborhoods.

TRENDS & FINDINGS

- **Community development lending increased, but CRA-qualified investments decreased in 2015.**

  $3.9 billion in Community Development Lending was made, averaging 1.6% local deposits.

  $1.9 billion in CRA-qualified investments was made, averaging 0.49% local deposits.

TABLE 20: COMMUNITY DEVELOPMENT LOANS AND INVESTMENTS 2013-15						
($ billions)	2013	2014	2013-14	2014	2015	2014-15
Community Development Lending						
# Loans	482	393	-18.5%	394	469	19%
$ Loans	$3.2	$3.2	-0.1%	$3.2	$3.9	22.3%
% to Deposits (Average)	1.5%	1.2%	-18.8%	1.2%	1.8%	52.8%
CRA-Eligible Investments						
# Investments	155	130	-16.1%	129	232	79.8%
$ Investments	$1.5	$2.3	55.4%	$2.3	$1.9	-20.5%
% to Deposits (Average)	0.26%	0.44%	67.7%	0.43%	0.49%	14.3%
Total CD Loans + Investments						
# Loans + Investments	637	523	-17.9%	523	701	34%
$ Loans + Investments	$4.7	$5.5	17.7%	$5.5	$5.8	4.2%

Among the 21 banks for which we have some community development data in both 2014 and 2015, community development lending and investments together increased 4.2% from $5.5 billion to $5.8 billion from 2014 to 2015. The average percentage of local deposits reinvested for community development loans increased from 1.2% to 1.8%, and the average percentage of CRA-qualified investments went from 0.43% to 0.49%. The median percentage for each was below 0.5%.

The modest reinvestment increase reflects a jump in community development lending and a decline in CRA-qualified investment dollars. Community development lending increased 19% by volume and 22% by dollar in 2015, bringing the number of loans just slightly below 2013 levels and the dollar amount considerably higher.

TABLE 21: COMMUNITY DEVELOPMENT LENDING 2012-15 ($ MILLIONS)

	2012		2013		2014		2015		% change 2014-15		% change 2012-15	
Bank	**#**	**$**	**#**	**$**	**#**	**$**	**#**	**$**	**#**	**$**	**#**	**$**
Largest												
Citibank	21	$439	33	$794	30	$763	34	$567	13.3%	-25.6%	61.9%	29.3%
Capital One	28	$314	25	$178	26	$161	31	$383	19.2%	138%	10.7%	21.9%
TD Bank	23	$72.94	9	$36.70	9	$28.27	55	$324	511%	1046%	139%	344%
Chase	59	$355	48	$465	54	$387	36	$308	-33.3%	-20.4%	-39%	-13.2%
M&T Bank	17	$169	24	$187	38	$335	31	$243	-18.4%	-27.4%	82.4%	43.7%
Bank of America	98	$103	49	$158	21	$89.97	32	$124	52.4%	37.9%	-67.3%	20.7%
Santander	4	$3.35	4	$6.75	16	$63.50	6	$27.13	-62.5%	-57.3%	50%	710%
HSBC	35	$165	21	$86.93								
Wells Fargo	2	$6.94	22	$385								
Smaller												
Signature Bank	73	$283	65	$242	69	$389	95	$517	37.7%	32.9%	30.1%	82.9%
New York Community Bank	25	$356	83	$456	44	$239	38	$431	-13.6%	80.6%	52%	21.1%
Valley National Bank	8	$13.91	23	$30.74	0	$0.00	18	$141	from 0	from 0	125%	913%
Popular Community	23	$44.29	19	$32.87	8	$11.45	31	$102	288%	791%	34.8%	130%
Apple Bank	7	$23.85	2	$23.00	5	$11.40	5	$72.10	0.0%	533%	-28.6%	202%
Carver	1	$12.50	41	$28.21	11	$11.97	16	$28.11	45%	135%	1500%	125%
BankUnited					2	$2.10	2	$3.58	0.0%	70.2%		
Astoria Bank	4	$5.50	7	$11.60	13	$19.10	5	$2.60	-61.5%	-86.4%	25%	-52.7%
Ridgewood Savings Bank	2	$1.00	2	$1.75	4	$3.25	3	$1.75	-25%	-46.1%	50%	75%
Dime	1	$0.25	1	$0.25	1	$0.10	1	$0.12	0.0%	20%	0.0%	-52%
Flushing Bank			0	$0.00	1	$5.00						
Wholesale												
Goldman Sachs	15	$198	11	$161	5	$76.60	7	$294	40%	284%	-53.3%	48%
BNY Mellon		$411		$156		$284		$145		-48.9%		-64.7%
Deutsche	28	$61.90	22	$126	23	$144	12	$98.23	-47.8%	-32.0%	-57.1%	58.7%
Morgan Stanley	16	$102	14	$99.71	15	$169	11	$86.62	-26.7%	-48.8%	-31.3%	-15.4%
Total for 19 banks reporting all 4 yrs	**453**	**$2,970**	**482**	**$3,194**	**392**	**$3187**	**467**	**$3,896**	**19.1%**	**22.3%**	**3.1%**	**31.2%**

Table 22: CRA Qualified Investments 2012-15 ($ millions)												
	2012		2013		2014		2015		% change 2014-15		% change 2012-15	
	#	$	#	$	#	$	#	$	#	$	#	$
Largest												
Bank of America	19	$104	18	$104	8	$112	91	$178	1038%	58.8%	379%	72%
Capital One	21	$210	17	$124	8	$65.28	17	$180	113%	176%	-19%	-14.3%
Chase	24	$350	48	$500	22	$417	19	$287	-13.6%	-31.2%	-20.8%	-18%
Citibank	18	$447	16	$423	24	$712	28	$451	16.7%	-36.6%	55.6%	0.9%
HSBC	15	$285	37	$250								
M&T Bank	5	$3.30	5	$0.50	5	$15	4	$0.40	-20%	-97.3%	-20%	-87.9%
Santander	2	$8.42	1	$5.00	0	$0.00	6	$65.09	from 0	from 0	200%	673%
TD Bank	7	$73.04	4	$15.19	1	$19.37	7	$79.87	600%	312%	0.0%	9.4%
Wells Fargo	2	$36.92	26	$634							-100%	-100%
Smaller												
Apple Bank	2	$10	3	$3.38							-100%	-100%
Astoria Bank	0	$0.00	1	$20	1	$15	1	$10.00	0.0%	-33.3%	from 0	from 0
BankUnited					1	$13.10	0	$0.00	-100%	-100%		
Carver	1	$12.50	3	$5.98	4	$0.98	2	$3.70	-50%	278%	100%	-70.4%
Dime	0	$0.00	0	$0.00	3	$1.50	0	$0.00	-100%	-100%		
Flushing Bank			0	$0.00	2	$18.60						
New York Community Bank	6	$29.12	10	$20.22	4	$35.55	3	$55.29	-25%	55.5%	-50%	89.9%
Popular Community Bank	8	$15.02	3	$4.03	7	$20.48	11	$42.04	57.1%	105%	37.5%	180%
Ridgewood Savings Bank	2	$6.70	5	$9.80	5	$16.30	8	$19.00	60%	16.6%	300%	184%
Signature Bank	3	$12.80	8	$35.21	3	$25.44	3	$17.50	0.0%	-31.2%	0.0%	36.8%
Valley National	0	$0.00	0	$0.00	5	$5.09	7	$52.97	40%	941%		
Wholesale												
BNY Mellon		$232		$105		$144		$150		4%		-35.4%
Deutsche	10	$82.10	2	$41.00	9	$367	5	$85.79	-44.4%	-76.6%	-50%	4.5%
Goldman Sachs	11	$87.09	9	$76.22	6	$265	10	$109	66.7%	-59%	-9.1%	24.7%
Morgan Stanley	5	$40.05	5	$15.41	13	$84.29	10	$68.95	-23.1%	-18.2%	100%	72.2%
Total for 18 banks reporting all 4yrs	**142**	**$1,713**	**155**	**$1,505**	**128**	**$2,322**	**232**	**$1,856**	**81.3%**	**-20.1%**	**63%**	**8.3%**

The dollar amount of CRA-qualified investments dropped by 21%, yet the number of investments increased 80%. The biggest increase in volume was at Bank of America. Among the retail commercial and savings banks, once again Citibank and Signature Bank dedicated the most amount of money to community development loans, but in 2015, Capital One, New York Community Bank, and TD Bank rose to the top. M&T Bank, New York Community Bank, and Valley National Bank dedicated the highest percentages of deposits to community development lending. Lending increased considerably at Bank of America, Capital One, Popular Community Bank, and TD Bank. Chase ranked sixth in the dollar amount loaned and second by volume, indicating they are doing more deals than their peers at lower amounts. But with their lending down once again, Chase is at its lowest levels since ANHD began this survey. Among the retail banks, Bank of America, Capital One, Chase, and Citibank made the most CRA-qualified investments by dollar and number of investments. Santander and TD Bank were not far behind, both making new investments after years of few or none. Valley National Bank's loans and investments also increased. Lending declined at all four wholesale banks except Goldman Sachs. Investments declined at all except BNY Mellon which increased slightly from 2015. HSBC and Wells Fargo declined to give data again in 2015, thus excluding them from the year-to-year analyses.

- **Quality must be taken as seriously as quantity.**

We are pleased to see **increases across the board**, including affordable housing loans, loans to nonprofits in general, and loans to nonprofits for affordable housing. Because we analyze the permanent multifamily mortgages separately, these loans are more likely to be used to acquire, build, and rehabilitate affordable housing. Similarly, investments in nonprofits increased dramatically. LIHTC investments increased again as well – the volume is below 2013 levels, but the dollar amount exceeded it by $85 million.

What we notice is that banks with a community development team tend to do more intentional deals to support affordable housing, economic development, and more. Banks like New York Community Bank and Signature Bank do much of their community development lending through their core multifamily lending. Neither reports their loans to nonprofits, which is telling in and of itself. New York Community Bank says they do not track them. Through the narratives over the years, we know that some loans are to nonprofits and/or are deed restricted, but most are in private rent-regulated housing. They both also make non-housing commercial loans that qualify for additional credit, which typically seem to be based on the location of the loan such as low- and moderate-income census tracts or areas targeted for redevelopment, with little regard for the types of jobs created, or the services provided. We see this in their CRA exams and the report to ANHD. We note similar trends with many of the smaller banks like Apple Bank, Popular Community Bank, and Ridgewood Savings Bank. Similar patterns emerge for investments. Banks can easily buy mortgage-backed securities or invest in a LIHTC fund, but these are not as impactful as other types of investments such as direct LIHTC investments, EQ2 investments, and other forms of equity more directly connected to the on-the-ground work. Of course, all banks will look for any loan that can qualify for CRA credit, but banks with community development teams will go beyond those. The increase in community development activity at Valley National Bank and Santander appear directly related to an increase in staff and their intentionality in working with the nonprofit sector. Valley National Bank's improvement is a result of ANHD's and partners' advocacy during their acquisition of 1st United Bank in Florida. The OCC required the bank to create a CRA plan as a condition of the merger, and they are now implementing this plan[42]. Some of the large banks like Bank of America, Capital One, Chase, Citibank, and TD Bank have long had large and well-respected community development teams, as do wholesale banks like Deutsche Bank, Goldman Sachs, and Morgan Stanley.

42 Valley National Bank's CRA plan and first annual report: https://www.valleynationalbank.com/About/Community.aspx

TABLE 23: 2015 CD LENDING FOR AFFORDABLE HOUSING				
	Aff. Hsg Loans (#)	Aff. Hsng Loans ($)	% Aff Hsg (#)	% Aff Hsg ($)
Largest				
Capital One	25	$373	80.6%	97.4%
Chase	19	$267	52.8%	86.7%
Citibank	20	$465	58.8%	82%
Bank of America	19	$92.17	59.4%	74.3%
Smaller				
BankUnited	2	$3.58	100%	100%
Valley National Bank	7	$65.11	38.9%	46.2%
Popular Community Bank	25	$23.09	80.6%	22.6%
Wholesale				
BNY Mellon		$145		100%
Deutsche Bank	10	$95.61	83.3%	97.3%
Morgan Stanley	7	$63.97	63.6%	73.8%

TABLE 24: 2015 CD LENDING FOR AFFORDABLE HOUSING TO NON PROFITS				
	Aff. Hsg to NFPs (#)	Aff. hsg to NFPs ($)	% of hsg to NFP (#)	% of hsg to NFP ($)
Largest				
Chase	13	$183	68.4%	68.5%
Capital One	12	$135	48%	36.2%
TD Bank	3	$16.50	20%	27.6%
Citibank	9	$118	45%	25.3%
Smaller				
BankUnited	2	$3.58	100%	100%
Valley National Bank	2	$38.80	28.6%	59.6%
Popular Community Bank	0	$0.00	0%	0%
Morgan Stanley	7	$63.97	100%	100%
Deutsche Bank	9	$48.61	90%	50.8%
BNY Mellon		$47.49		32.7%

- **Banks should prioritize nonprofit developers.**

Community development lending to nonprofits increased 12% by volume and 36% by dollar amount in 2015. In eight banks, over half of their community development loans were to nonprofits by volume. In six banks, over half of the community development dollars loaned was to nonprofits as well. **Investments in nonprofits more than doubled by volume and tripled by dollar amount.** We are encouraged to see lending to nonprofits specifically for affordable housing also increased in 2015. Just about a third of Valley National Bank's loans were to nonprofits after years of few or none, including lending to the Community Preservation Corporation that will benefit smaller multifamily buildings. TD Bank has been ramping up and we are pleased to see that most of their loans (40 of 55) were to nonprofits, as were three of their seven investments. Three of Santander's investments all or partially benefited nonprofit developers for affordable housing. On the other hand, none of Goldman Sachs' or Apple Bank's loans were to nonprofits, and just one of Popular Community Bank's was. **Very few loans went specifically to CDCs, with just 11 in 2015, down from 16 in 2014 and 22 in 2013.** Only BankUnited, Capital One, and Citibank reported loans to CDCs among banks reporting this data. Chase does not report loans to CDCs, but we do recognize that they make loans to local CDCs as well. Citibank has been making more loans to nonprofits and CDCs in recent years, including loans to the Mutual Housing Association of New York to acquire and rehabilitate 255 units of affordable housing in Brooklyn and construction financing for Cypress Hills Local Development Corporation to develop Pitkin-Berriman, a 60-unit affordable housing project in East New York, Brooklyn. Both will benefit families earning below 60% AMI. Capital One, Deutsche Bank, and Morgan Stanley continue to partner with nonprofit developers for affordable housing. Capital One made an investment in the development of Lynn's Place to provide supportive housing for people with special needs, with a particular focus on chronically homeless single adults. Capital One reports that their team is working with the developer throughout the process to ensure the project is completed successfully.

VERY FEW LOANS WENT SPECIFICALLY TO CDCS.

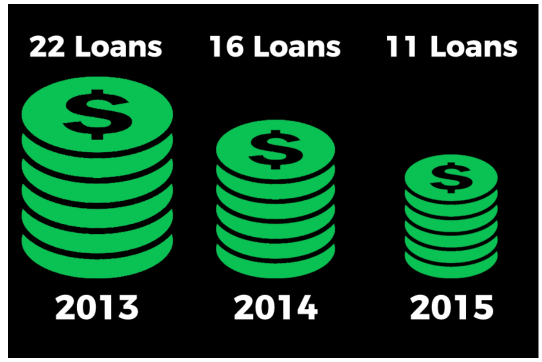


TABLE 25: 2015 CD LENDING TO NONPROFITS

Bank	Total		... to NFPs		% NFP (# / $)	
Largest						
Chase	36	$308	28	$221	77.8%	71.8%
TD Bank	55	$324	40	$204	72.7%	63.1%
Citibank	34	$567	22	$160	64.7%	28.1%
Capital One	31	$383	17	$137	54.8%	35.7%
Smaller						
Astoria Bank	5	$2.60	5	$2.60	100%	100%
BankUnited	2	$3.58	2	$3.58	100%	100%
Ridgewood Savings Bank	3	$1.75	1	$0.50	33.3%	28.6%
Valley National Bank	18	$141	6	$46.03	33.3%	32.7%
Wholesale						
Morgan Stanley	11	$86.62	11	$86.62	100%	100%
Deutsche	12	$98.23	10	$49.36	83.3%	50.3%
BNY Mellon		$145		$47.49		32.7%

TABLE 26: 2015 HIGHEST PERCENTAGE CRA-INVESTMENTS TO NONPROFITS (NFP)

	Total		... to NFPs		% NFP (# / $)	
Largest						
Bank of America	91	$178	5	$96.74	5.5%	54.2%
TD Bank	7	$79.87	3	$35.42	42.9%	44.3%
Santander	6	$65.09	3	$34.82	50%	53%
Capital One	17	$180	9	$62.46	52.9%	34.7%
Chase	19	$287	10	$90	52.6%	31.4%
Smaller						
Ridgewood Savings Bank	8	$19.00	7	$16.00	87.5%	84.2%
New York Community Bank	3	$55.29	2	$0.25	66.7%	0.50%
Carver	2	$3.70	1	$3.00	50%	81.1%
Wholesale						
Goldman Sachs	10	$109	1	$3.84	10%	3.5%

2015 CD LENDING TO CDCS

	#	$	# to CDCs	$ to CDCs	% to CDCs (#)	% to CDCs ($)
Largest						
Citibank	34	$567	5	$69.21	14.7%	12.2%
Capital One	31	$383	4	$37.94	12.9%	9.9%
Smaller						
BankUnited	2	$3.58	2	$3.58	100%	100%

- **All but three banks maintained or increased their community development staff serving New York City and being located in New York City.**

High quality, impactful community development lending and investments are directly connected to a strong local community development team that is knowledgeable, empowered to act, and engaged with the nonprofit sector. In this context, we are pleased to see that community development staff serving New York City increased by 13%, from 355 to 401. The biggest increases were at Chase from 111 to 140, Capital One from 43 to 53, Santander from 5 to 12, and Valley National Bank from 2 to 8. A few banks declined in staff, including Goldman Sachs which declined from 32 to 27, but most stayed the same. The increase in staff located in New York City increased by a more modest 4%, from 258 to 268. Most banks have long had their staff located in the City, including banks like Goldman Sachs where all 27 of their staff are in New York City. We do note, on the other hand, that Capital One and Chase increased staff considerably, but only located a few physically in New York City. That being said, they each have a sizable staff in the City (43 at Capital One and 52 at Chase). The most notable increases are at Santander and Valley National Bank, which historically have had very little presence in the city. Santander increased their staff and moved a division to the City, which is already leading to larger and more impactful deals here in the City. Valley National Bank's staff remains concentrated in New Jersey, but we see they are making efforts to connect with groups in New York City and encourage them to continue and expand those efforts.

TABLE 27: HIGHEST PERCENTAGE CD STAFF IN NEW YORK CITY 2015

	2015			% change		
	CD Staff	... in NYC	% in NYC	CD Staff	... in NYC	% in NYC
Largest						
Citibank	30	30	100%	-6.3%	-6.3%	0.0%
TD Bank	4	4	100%	33.3%	33.3%	0.0%
M&T	2	2	100%	0.0%	0.0%	0.0%
Capital One	53	43	81.1%	23.3%	7.5%	-12.8%
Santander	12	9	75%	140%	800%	275%
Bank of America	73	52	71.2%	0.0%	0.0%	0.0%
Chase	140	54	38.6%	26.1%	3.8%	-17.7%
Smaller						
Carver	9	9	100%	0.0%	0.0%	0.0%
Ridgewood	9	9	100%	0.0%	0.0%	0.0%
Dime	5	5	100%	25%	25%	0.0%
Signature	2	2	100%	0.0%	0.0%	0.0%
Popular Comm.	1	1	100%	0.0%	0.0%	0.0%
Valley National	8	3.2	40%	300%	from 0	from 0
BankUnited	4	1	25%	0.0%	0.0%	0.0%
Astoria	3	0	0.0%	50%	0.0%	0.0%
NY Community	5	0	0.0%	0.0%	0.0%	0.0%
Apple Bank	0	0	0.0%	0.0%	0.0%	0.0%
Wholesale						
Goldman Sachs	27	27	100%	-15.6%	-15.6%	0.0%
BNY Mellon	9	9	100%	0.0%	0.0%	0.0%
Deutsche	5	5	100%	0.0%	0.0%	0.0%
Morgan Stanley	3	3	100%	-25%	-25%	0.0%

RECOMMENDATIONS

Banks should increase community development lending and investments and direct substantial amounts to locally based CDCs and community organizations.

- **Banks should continue to increase community development loans and investments.** They should also **direct resources to nonprofit and community organizations** that are locally rooted and committed to permanent affordability and long-term improvements in their communities.

- Banks should **support the smaller and most effective nonprofit developers** with targeted affordable products to build and preserve affordable housing and create quality jobs. This includes the following:

    - **Acquisition and predevelopment costs.** The cost of land can be prohibitively high for nonprofit developers in New York City without additional resources. Banks should provide capital and equity, grants, "soft loans", and low-cost lines of credit to acquire land and cover myriad other predevelopment costs.

    - **Smaller loans and smaller deals.** Often, neighborhood-based CDCs have access to smaller properties, especially when competing with larger for-profit developers. They need affordable capital to take advantage of all opportunities to build and preserve affordable housing.

    - **Appropriate risk assessment.** Nonprofit developers are often charged additional fees and receive less desirable loan terms because they are seen as riskier than more-resourced for-profit developers. Banks should consider other factors when assessing risk with nonprofits. Some factors might include the number of years of experience the nonprofit has in managing and developing affordable housing or the percentage of financially successful projects from their portfolios. Banks could also offer more favorable terms based on the ancillary benefits to the community that CDCs uniquely provide.

- **Banks and regulators must look at the overall impact of the activity** with respect to the quality of jobs created, the quality of housing, and the sustainability of the impact over time. They must ensure that the loan meets the needs of local communities and does not cause harm.
- **Banks should have a strong community development team with a presence in New York City.**
    - The most effective reinvestment programs start with strong leadership. Banks should have a community development team located in or near New York City and be knowledgeable about, engaged in, and committed to a bank's CRA programs.
    - Some banks have very knowledgeable staff, but they are not given sufficient resources or authority. Banks should empower local staff to fully engage in and support the wide range of community development activities.

ECONOMIC DEVELOPMENT

BACKGROUND

Economic development is the most misunderstood and challenging category within the CRA's categories of community development. Activities that further equitable economic development are even less understood. But, that is beginning to change, thanks in part to the attention regulators have been putting on this category in recent years.

Community Development Loans, Investments, and Grants:

Under the CRA, loans that are not evaluated as standard small business loans (see below), investments, and grants can get community development credit under the economic development category if they meet both **a "size" and "purpose" test.**

- It meets the **size test** if it is determined to **finance** (directly or through an intermediary) small businesses as defined by Small Business Administration standards or by having revenues of one million dollars or less. The new Q&A guidance broadens the definition of "financing" to include technical support that helps a business access financing.
- To meet the **purpose test,** the activity must promote economic development by **supporting permanent job creation, retention, and/or improvement for persons who are low- to moderate-income, or in low- to moderate-income geographies, or in areas targeted by governments for redevelopment.** Certain **investments in intermediaries that support new businesses** and activities that **provide technical support also qualify, regardless of income.** There are also some specific loans and investments that automatically meet this purpose test, such as New Markets Tax Credits, Small Business Investment Corporations, and Community Development Financial Institutions (CDFIs) that finance small businesses.

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

Many loans technically qualify under economic development, often related to the location of the loan, but **equitable economic development** goes beyond expanding the tax base and beyond simply creating and preserving jobs. It is about the jobs being created and the people being served. **Equitable economic development is about creating the systems and environments to create a stable middle and working-class employment base and workforce that creates a meaningful path to the middle class. It ensures that these systems and opportunities are intentionally extended to the low- and moderate-income and underserved communities that need them most through targeted strategies for quality job creation, small business development, and workforce development and placement.** This can include financing manufacturing or retail space for nonprofit developers, financing for businesses that partner with government on local hiring and training opportunities, and technical support for immigrant businesses to build credit and access financing, among many other methods.

Small Business Loans

In general, loans that are evaluated under the CRA as conventional small business loans cannot be considered as community development loans. These "small business loans" are actually business loans of one million dollars or less. CRA evaluates them on: *1) the proportion of loans within the assessment area*, *2) the distribution of loans within low- and moderate-income census tracts*, *3) the percentage of loans to* **small businesses***, defined by having gross annual revenues of one million dollars or less*, and *4) the distribution of loans by loan amount (less than $100,000, $100,000-$250,000, and $250,000-$1 million)*. This data is extremely limited with regards to the loan type, outcome, borrower, and location, making it challenging to use as a full test of bank response to small business credit needs, but it is still a valuable indicator of overall small business lending. For some types of loans, particularly credit card loans and some renewals, banks may not consider revenue size in their underwriting, and they are not required to do so for any loan. Traditional loans and lines of credit are more likely to use revenue size, and given that revenue size is the only data we have available to determine a loan to a smaller business, we believe those loans are a better indication of a bank's record of small business lending. All types of loans are important, but lending to smaller businesses must carry more weight, thus this report evaluates loans to small businesses and their distribution within low- and moderate-income census tracts. ANHD looks forward to the implementation of Section 1071 of Dodd-Frank, which requires lending institutions to collect and disclose more data on small business lending, akin to what HMDA provides for home mortgages[43].

Equitable economic development is about creating the systems and environments to create a stable middle and working-class employment base and workforce that creates a meaningful path to the middle class.

PRINCIPLES

Over the 40 years since the CRA was passed, New York City has developed one of the richest ecosystems and infrastructures in the country to build and preserve affordable housing. The CRA has fostered collaboration among governments, developers, nonprofit organizations, and banks that has led to the creation of a robust infrastructure with a wealth of CRA motivated capital to support it. Now is the time to develop a similar ecosystem to drive equitable economic development in New York City. **There is no reason why all stakeholders cannot take the same strategic intentional approach to economic development that has been taken for housing in order to develop the tools and resources needed to support New York City's businesses and workers.** A new ecosystem requires a comprehensive commitment of time and capital from banks and government, the expertise and collaboration of all stakeholders involved, and a commitment to work together.

- **First and foremost, banks that make small business loans have an obligation to lend equitably to small businesses.**

New York City is home to over 520,000 businesses. Of these, 396,240 (76%) have annual revenues below $1 million, 324,000 (68.8%) have four or fewer employees, and over 173,000 (33%) are in low- to moderate-income tracts[44]. This is in addition to many "non-employers" (businesses operated solely by the owner). Access to capital is critical for these small businesses to grow, yet they continue to face barriers in accessing financing from traditional banks. As a result, they are forced to borrow from friends and family, use personal savings, defer investment, or turn to less-regulated, higher cost, sometimes predatory online lenders.

Banks should be **meeting the credit needs of small businesses** – particularly those in low- and moderate-income tracts and businesses owned by low- and moderate-income people, people of color, and immigrants:

- A majority of bank CRA small loans to businesses should to go to small businesses with revenues below $1 million.
- At least a third of their small business loans should be in low- to moderate-income tracts.
- Banks should offer responsible affordable products for the wide range of businesses in New York City. They should particularly emphasize traditional loans and lines of credit, which are more impactful than simply offering credit cards.

43 HR 4173 of 2010, Section 1071
44 https://www5.fdic.gov/crapes/2016/33648_160321.PDF

- Banks should affirmatively market these products.
- **Banks should partner with nonprofit organizations to help businesses access financing** through second look programs, product development, financial education, alternative forms of credit, and technical supports. They should also provide additional support for immigrant businesses by providing services in local languages and being sensitive to local cultures.

- **Both Quantity and Quality matter in fostering Equitable Economic Development.**

New York City is at a pivotal moment in this time of persistent and growing economic inequality, which threatens the promise of opportunity in our City. New York State ranks number one in income inequality, with the top 1% of the population making 45.4 times the bottom 99%. In Manhattan, that rises to 115.6 times[45]. This trend will only increase if the fastest-growing jobs pay low wages, such as in the retail and service sectors, and if low-income, minority, and immigrant populations continue to face barriers to better paying jobs.

The CRA has been very successful in fostering collaboration among governments, developers, nonprofit organizations, and banks, which has led to the creation of a robust affordable housing infrastructure with a wealth of CRA motivated capital to support it. Yet, ANHD's 2013 white paper showed that **banks in New York City are lagging their peers when it comes to dollars loaned and invested in economic development**. It is time for the financial sector to step up with bold investments and targeted strategies to support equitable economic development in New York City.

Banks should increase their capacity to support economic opportunities in New York City. While not all CRA activities that promote economic development will meet the strict "size and purpose" test, the expanded definition in the new Q&A should capture more activities under this category, which emphasizes the critical need to support small businesses. And regardless of the category, the **outcomes and impact are most important.**

While not an exhaustive list, the following strategies would have a lasting impact on New York City communities:

- Increase the **volume and dollars** of community development loans, investments, and grants dedicated to equitable economic development.
- Prioritize **high quality jobs** by looking more closely at **the impact of the activity** on the businesses and the jobs created, preserved or improved. This includes wages, workforce development, benefits, hiring strategies, and supports for small businesses.
- **Partner with nonprofit developers, organizers, lenders, and service providers** to develop products and programs that will have the greatest impact. This includes funding research and capacity building as well as creating open lines of communication to understand trends, solicit feedback, and share industry expertise.
- **Partner with nonprofit developers** to develop and manage affordable space for small businesses.
- Invest in **CDFIs, credit unions, and other alternative lenders** that have strong track records of working with businesses run by people of color, women, and immigrants. This should include capital in the form of loans, deposits, EQ2, and other investments as well as grants to support the staff needed to deploy the capital.
- **Dedicate staff** that are knowledgeable about and focused on equitable economic development and empowered to make strategic decisions to work alone and in collaboration with other financial institutions and government.

45 http://www.epi.org/multimedia/unequal-states-of-america/#/New%20York

TRENDS & FINDINGS

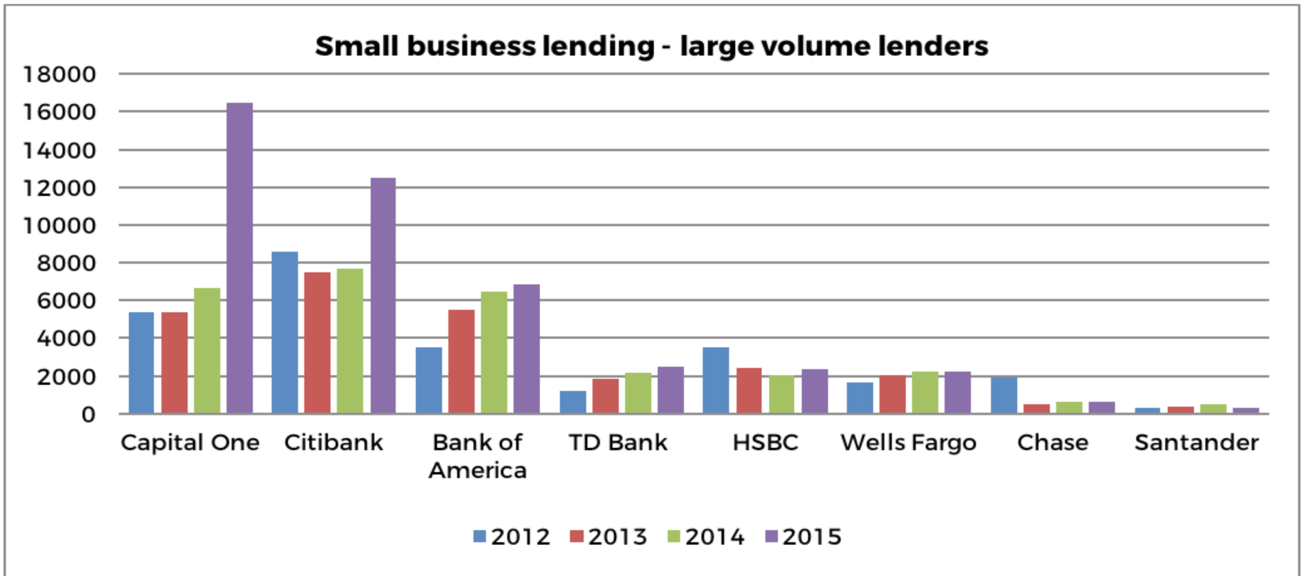
- **Small business lending is up overall and in low- to moderate-income tracts.**

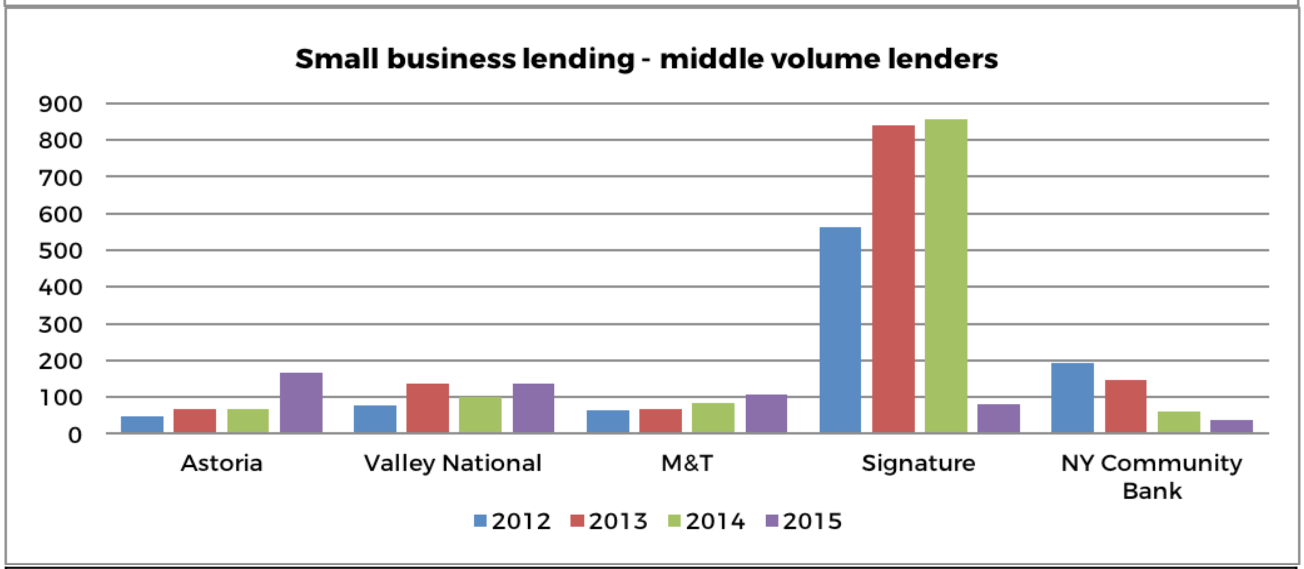
In 2015, the banks in this study increased their small loans to businesses by 9% overall and 14% in low- and moderate-income tracts, slightly lower than the increase citywide. When looking at loans to small businesses, which are businesses with revenues under one million dollars, the banks in this study outpaced the City, increasing 50% overall and 63% in low- and moderate-income tracts. The increase in the number of loans is even higher when looking back from 2012. The amount loaned decreased across the board from 2014, indicating smaller loans. While there is demand for smaller dollar loans, particularly at smaller businesses, the demand is for traditional loans and lines of credit rather than higher interest credit card loans. Yet, the biggest lenders – Bank of America, Capital One, Chase, and Citibank – each do a considerable amount of credit card lending. 85% of Capital One's business lending and 97% of lending to small businesses was done through its credit card affiliate. At Chase, 94% of its business lending was done through the credit card affiliate. Chase does not capture revenue size in its credit card loans, making it impossible to know how many of those loans were to small businesses. In 2014, 65% of Bank of America's lending overall and 73% to small businesses was done through the credit card affiliate. That affiliate is now combined with the bank, so we cannot get the breakdown in 2015, but we assume it is a similar proportion. A commonly used indicator of a credit card lender is one in which the average loan size is below $10,000. Both Capital One and Citibank meet that criteria for small business loans and Citibank does for all small loans. While the average at Bank of America and Chase exceed $10,000, their average loan size is considerably smaller than other banks that do not rely as heavily on credit card lending.

TABLE 28: SMALL BUSINESS LENDING IN NYC 2012-15												
21 Retail Banks in ANHD Study							All lenders reporting in NYC					
	2012	2013	2014	2015	2014-15	2012-15	2012	2013	2014	2015	2014-15	2012-15
Small Loans to Businesses												
Total (#)	86,419	82,491	99,933	108,532	8.6%	25.6%	177,959	162,174	189,092	210,465	11.3%	18.3%
Total ($)	$3,408	$3,652	$3,613	$3,407	-5.6%	0.1%	$4,807	$5,157	$5,374	$5,424	0.9%	12.8%
… in LMI tracts (#)	23,858	23,672	32,943	37,592	14.1%	57.6%	43,735	42,776	60,251	71,120	18%	62.6%
… in LMI tracts ($)	$780	$891	$994	$902	-8.9%	16.0%	$1,126	$1,224	$1,486	$1468	-1.2%	30.3%
Avg Loan ($)	$39,433	$44,275	$36,152	$31,399	-13.1%	-20.3%	$27,011	$31,798	$28,420	$25,770	-9.3%	-4.6%
… in LMI tracts	$32,693	$37,648	$30,160	$23,997	-20.2%	-26.4%	$25,754	$28,623	$24,670	$20,640	-16.3%	-19.9%
Small Business Loans (to businesses with revenue <$1M)												
Total (#)	27,079	26,880	29,606	44,411	50%	64%	69,865	71,009	78,480	103,548	31.9%	48.2%
Total ($)	$974	$1,140	$1,034	$834	-18.9%	-14%	$1,451	$1,695	$1,647	$1,535	-6.8%	5.8%
… in LMI tracts (#)	7,354	7,617	10,101	16,461	63.0%	123.8%	17,187	18,855	26,543	37,911	42.8%	121%
… in LMI tracts ($)	$249	$331	$332	$251	-23.5%	2.2%	$391	$487	$553	$491	-11.1%	25.7%
Avg Loan ($)	$35,966	$42,425	$34,909	$18,787	-45.9%	-47.5%	$20,762	$23,873	$20,987	$14,825	-29.4%	-28.6%
… in LMI tracts	$33,807	$43,456	$32,864	$15,274	-53.1%	-54.4%	$22,752	$25,827	$20,834	$12,962	-37.8%	-43%

TABLE 29: SMALL BUSINESS LENDING 2015 ($ MILLIONS)												
Small Business Loans (… to businesses <$1M revenue)									All Small Loans to businesses			
	# loans	% of all loans (#)	$ loaned	Avg. Loan size ($)	… in LMI tracts (#)	% in LMI Tracts (#)	$ in LMI tracts	Avg Loan Size in LMI tracts ($)	Small Loans to biz (#)	Avg. Loan size ($)	… in LMI tracts	Avg Loan Size in LMI tracts ($)
Large-Volume lenders (1,500 or more small loans to businesses)												
Capital One	16,485	67%	$159	$9,646	6,923	42%	$54.00	$7,800	24,606	$19,009	9,725	$13,706
Bank of America	6,860	59%	$94.06	$13,712	2,637	38.4%	$29.02	$11,004	11,621	$33,671	4,151	$26,020
Citibank	12,483	77.5%	$101	$8,103	4,419	35.4%	$26.92	$6,092	16,108	$11,500	5,659	$7,823
TD Bank	2,467	63.4%	$51.93	$21,050	757	30.7%	$12.15	$16,045	3,889	$44,766	1,068	$37,222
HSBC	2,375	60.1%	$119	$50,083	680	28.6%	$29.20	$42,935	3,951	$83,942	1,101	$73,347
Chase	638	1.5%	$61.24	$95,989	180	28.2%	$18.00	$99,989	41,368	$26,564	14,102	$20,423
Santander	294	17.5%	$25.50	$86,748	81	27.6%	$7.35	$90,679	1678	$94,853	423	$98,556
Wells Fargo	2,209	65.5%	$78.05	$35,334	583	26.4%	$17.01	$29,178	3371	$46,802	837	$40,530
Middle-Volume lenders (100-1,499 small loans to businesses)												
Flushing Bank	1	0.9%	$0.84	$840,000	1	100%	$0.84	$840,000	113	$422,991	46	$404,152
New York Community Bank*	37	46.8%	$11.14	$301,000	15	40.5%	$4.74	$316,133	79	$368,367	20	$330,600
Signature Bank	82	9.1%	$38.08	$464,341	32	39.0%	$16.83	$525,938	901	$143,838	229	$187,886
Astoria Bank	168	100%	$14.56	$86,643	62	36.9%	$5.57	$89,855	168	$86,643	62	$89,855
Valley National Bank	137	40.3%	$28.71	$209,526	34	24.8%	$11.37	$334,441	340	$297,688	73	$295,411
M&T Bank	107	48.9%	$23.11	$215,944	26	24.3%	$8.38	$322,269	219	$301,333	44	$376,727

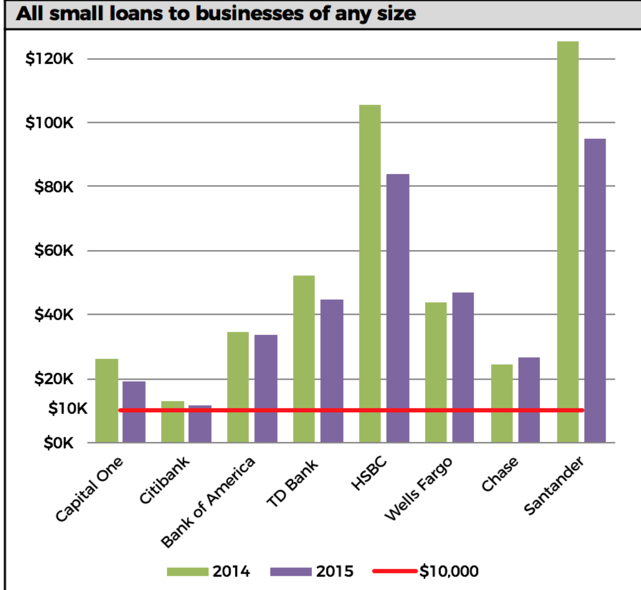
*New York Community Bank made over 100 loans in all prior years and is kept here for reference.



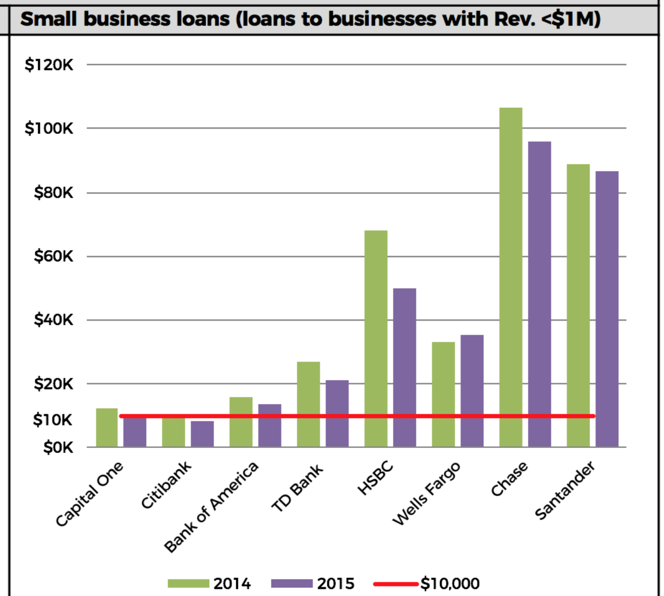


AVERAGE SIZE OF CRA SMALL LOANS TO BUSINESSES 2014-15

All small loans to businesses of any size



Small business loans (loans to businesses with Rev. <$1M)



Among the larger volume lenders (lenders that made over 1,500 small loans to businesses), nearly all increased their number of loans to small businesses from 2014 to 2015. Only Santander decreased and did so rather sharply, down 43%. Wells Fargo was relatively flat, up just 0.7%, and Chase and Bank of America increased modestly by 4% and 6%, respectively. Capital One more than doubled its loans and Citibank's lending went up 62%. After many years of decline, HSBC's lending increased, up 15%, but still below 2012 and 2013 levels. Three of the five middle volume lenders (total 100 to 1,499 small loans to businesses) increased as well. Astoria Bank more than doubled its loans. However, Signature Bank's loans to small businesses plummeted, down 90%, perhaps due to the decline in taxi medallion lending as competition with for-hire companies like Uber increases. New York Community Bank declined sharply as well.

We are also noting some progress in how banks are supporting small businesses in other ways. TD Bank has long had a second look program with Accion, for example. Valley National Bank is in the process of developing a similar program with other nonprofit lenders. Citibank has long supported New York City's small business services centers as well as organizations that work directly with small businesses, particularly immigrant businesses. Goldman Sachs' 10,000 small businesses and Santander's support for non-traditional education programs for business owners are other ways to develop their skills and help them grow to the next level. Many banks also have supplier developer programs. While not technically eligible for CRA credit on their own, they are a way to support local minority- and/or women-owned business enterprises.

- **Both Quantity and Quality matter in equitable economic development reinvestment.**

Quantity:

In 2013, the banks in this study reinvested $1.07 billion towards economic development, which we quantify as small business loans in low- and moderate-income tracts and community development loans, investments, and grants that fall under the economic development category under the CRA. In 2014, ANHD challenged the banks in this study to collectively increase economic development dollars from 2013 levels by $1 billion in these categories as well as other investments that may not fall under that category but also contribute to quality jobs. While it is difficult to measure the quantity outside of that category, we called for the majority to fall within it. Collectively, from 2013-15, the economic development dollars increased by $94 million dollars, which was mostly due to a $173 million increase in community development lending followed by a modest but also meaningful $3.9 million increase in grants for economic development. Economic development investments declined by $3 million and small business lending in low- to moderate-income tracts by nearly $80 million. We do note that total lending in low- to moderate-income tracts, regardless of business size, is much larger and actually increased by $10.9 million from 2013-2015. While the increase in community development lending is impressive, it seems driven at least in part by commercial banks that are getting much of their credit based on the location of the loan rather than the type of jobs created or the impact on low- to moderate-income people. It is more a reflection of an improving market rather than intentionality around equitable economic development.

Also, while the percentage of reinvestment dollars devoted to economic development remains low, we note improvement in some areas. In 2015, the average percentage of community development loans rose from 26% to 33% and the median from 4.4% to 16%. When including multifamily community development lending, the average rose from 8.9% to 10.1%, but the median percentage decreased from 1.9% to 0.7%. The average percentage of CRA-qualified investment dollars rose from 1.9% to 9.3%, but the median stayed at 0% because most banks did not have any investments in that category. The percentage of grant dollars to economic development dropped as well, but it still remains a substantial portion of grantmaking. In 2015, an average of 19.6% and a median of 14% of grant dollars went towards economic development, down from 25% for both in 2014.

TABLE 30: ECONOMIC DEVELOPMENT REINVESTMENT 2013-15

	2013	# banks	2014	# banks	2015	# banks	Increase/decrease from 2013
Community Development Loans	$683	22	$535	21	$856	21	$173
CRA-qualified investments	$50.70	18	$6.03	17	$47.52	19	-$3.18
Grants	$8.56	17	$10.49	18	$12.47	18	$3.91
Subtotal community development	**$743**		**$551**		**$916**		**$174**
Small business loans in LMI tracts*	$331	24	$332	24	$251	24	-$79.57
Total	**$1074**		**$883**		**$1168**		**$94.23**

* Small loans to businesses in low- to moderate-income tracts overall increased by $10.91 million from 2013-15

TABLE 31: 2015 COMMUNITY DEVELOPMENT LENDING PERCENTAGE TO ECONOMIC DEVELOPMENT ($ IN MILLIONS)

Community development under the CRA includes some permanent multifamily loans, but ANHD separates them out for analysis. This chart shows the percentage of community development lending for economic development by both measures.

	Excluding Multifamily Community Development Lending						Including Multifamily CD Lending			
	CD Lending (#)	CD Lending ($)	Econom ic Devt. Loans (#)	Econom ic Devt. Loans ($)	% CD Lending w/out MF (#)	% CD Lending w/out MF ($)	% CD Loans Incl. MF (#)	% CD Loans Incl. MF ($)	% CD Lending w/ MF (#)	% CD Lending w/ MF ($)
Largest										
Santander	6	$27.13	3	$20.65	50%	76.1%	40	$194	7.5%	10.6%
Bank of America	32	$124	7	$20.04	21.9%	16.2%	50	$215	14%	9%
Capital One	31	$383	3	$9.19	9.7%	2.4%	46	$539	6.5%	1.7%
M&T Bank	31	$243	2	$5.90	6.5%	2.4%	32	$264	6.3%	2.2%
TD Bank	55	$324	1	$0.25	1.8%	0.1%	57	$331	1.8%	0.1%
Chase	36	$308	0	$0.00	0.0%	0.0%	104	$482	0.0%	0.0%
Citibank	34	$567	0	$0.00	0.0%	0.0%	46	$815	0.0%	0.0%
Smaller										
Astoria Bank	5	$2.60	5	$2.60	100%	100%	65	$168	7.7%	1.6%
Dime	1	$0.12	1	$0.12	100%	100%	46	$170	2%	0%
Signature Bank	95	$517	95	$517	100%	100%	356	$1,426	26.7%	36.2%
Carver	28	$30.59	26	$28.07	92.9%	91.8%	34	$48.66	76.5%	57.7%
Ridgewood Savings Bank	3	$1.75	2	$1.25	66.7%	71.4%	66	$115	3.0%	1.1%
New York Community Bank	38	$431	19	$168	50%	39%	417	$2,619	4.6%	6.4%
Valley National Bank	18	$141	5	$29.70	27.8%	21.1%	24	$204	20.8%	14.5%
Popular Community Bank	31	$102	7	$32.59	22.6%	32%	40	$109	17.5%	29.8%
Apple Bank	5	$72.10	0	$0.00	0.0%	0.0%	33	$209	0%	0%
BankUnited	2	$3.58	0	$0.00	0.0%	0.0%	21	$102	0.0%	0.0%
Wholesale										
Morgan Stanley	11	$86.62	4	$21.05	36.4%	24.3%				
Deutsche	12	$98.23	2	$2.63	16.7%	2.7%				
Goldman Sachs	11	$560	2	$12.34	28.6%	4.2%				
BNY Mellon		$145	0	$0.00		0.0%				

Quality:

As in all community development lending, particularly economic development, the impact is crucial. A loan to finance a retail center in a low- to moderate-income tract that happens to employ low-wage workers is much less meaningful than a business that hires locally, pays living wages, and offers opportunities for underserved populations. While the new Q&A places stronger emphasis on activities like the latter, the CRA still allows for both. In fact, regulators added categories that do not require any impact on low- and moderate-income people or neighborhoods, which makes it all the more important for the regulators to pay attention to the impact as much as, if not more so, than the location of the loan or investment.

We are pleased to see an increase in grantmaking to support access to jobs and supports for small businesses, even if it represents a smaller percentage of total grant dollars. Grants to support workforce development, financial literacy, and access to capital are particularly impactful. Citibank supports many local immigrant-led and community-based organizations to increase access to jobs and support small businesses. Bank of America supports several sector-based initiatives run by local nonprofits, including the Bronx River Alliance and Cypress Hills Local Development Corporation, to connect to jobs that are in higher demand today. Fewer banks make loans that support meaningful access to jobs, be it through business loans and lines of credit or real estate

TABLE 32: CRA-QUALIFIED INVESTMENTS ECONOMIC DEVELOPMENT

	CRA Invest (#)	CRA Invest ($)	Econ Devt (#)	Econ Devt ($)	% Econ Devt (#)	% Econ Devt ($)
Largest						
TD Bank	7	$79.87	1	$5.00	**14.3%**	**6.3%**
M&T Bank	4	$0.40	4	$0.40	**100%**	**100%**
Capital One	17	$180	4	$0.33	**23.5%**	**0.2%**
Chase	19	$287	0	$0.00	0.0%	0.0%
Santander	6	$65.09	0	$0.00	0.0%	0.0%
Bank of America	91	$178	0	$0.00	0.0%	0.0%
Citibank	28	$451	2	$6.45	7.14%	1.43%
Smaller						
Popular Community Bank	11	$42.04	4	$25.00	**36.4%**	**59.5%**
Astoria Bank	1	$10.00	0	$0.00	0.0%	0.0%
New York Community Bank	3	$55.29	0	$0.00	0.0%	0.0%
Signature Bank	3	$17.50	0	$0.00	0.0%	0.0%
Carver	1	$3.00	0	$0.00	0.0%	0.0%
Ridgewood Savings Bank	8	$19.00	0	$0.00	0.0%	0.0%
Valley National Bank	7	$52.97	0	$0.00	0.0%	0.0%
Apple Bank					0.0%	0.0%
BankUnited	0	$0.00	0	$0.00	0.0%	0.0%
Dime	0	$0.00	0	$0.00	0.0%	0.0%
Wholesale						
Goldman Sachs	10	$109	4	$10.34	**40%**	**9.5%**
Deutsche Bank	5	$85.79	0	$0.00	0.0%	0.0%
BNY Mellon		$150		$0.00		0.0%
Morgan Stanley	10	$68.95	0	$0.00	0.0%	0.0%

TABLE 33: GRANTS FOR ECONOMIC DEVELOPMENT

	Grants (#)	Grants ($)	Econ Devt (#)	Econ Devt ($)	% Econ Devt (#)	% Econ Devt ($)
Largest						
Citibank	115	$16.58	46	$8.09	**40%**	**48.8%**
Santander	52	$0.70	7	$0.10	**13.5%**	**13.5%**
M&T Bank	183	$1.08	19	$0.18	**10.4%**	**16.5%**
Bank of America	45	$3.16	2	$0.05	4.4%	1.5%
Capital One	237	$7.77	5	$0.10	2.1%	1.3%
Chase	45	$6.99	0	$0.00	0.0%	0.0%
TD Bank	144	$1.98	0	$0.00	0.0%	0.0%
Smaller						
Apple Bank	15	$0.10	8	$0.08	**53.3%**	**79%**
Dime	7	$0.20	2	$0.06	**28.6%**	**28.8%**
Carver	18	$0.06	4	$0.01	**22.2%**	**20.2%**
Ridgewood Savings Bank	104	$0.09	18	$0.02	17.3%	24.4%
New York Community Bank	194	$1.47	29	$0.32	14.9%	21.4%
BankUnited	28	$0.23	4	$0.03	14.3%	14.1%
Valley National Bank	13	$0.07	1	$0.00	7.7%	4.5%
Astoria Bank	30	$0.21		$0.12	0.0%	**58.3%**
Popular Community Bank	31	$0.46	5	$0.04	16.1%	**8.3%**
Wholesale						
Deutsche Bank	133	$7.28	15	$0.79	**11.3%**	**10.9%**
Goldman Sachs	187	$11.96	6	$2.50	**3.2%**	**20.9%**
	185	$4.55			**0.0%**	**0.0%**

WHAT THE REVISED CRA QUESTION & ANSWER PUBLICATION SAY ABOUT ECONOMIC DEVELOPMENT

As described on page 25, in July 2016, federal regulators completed the second of two rounds of revisions to the **CRA Question & Answer (Q&A) publication** that guides banks and examiners in determining which loans, investments, and services are eligible for CRA credit and how they impact their rating. With regards to economic development, we are pleased with a number of changes and concerned about the impact of others.

Positive changes:
Broadens the **definition of "financing" to include technical assistance that helps a business access financing** and **adds CDFIs that finance small businesses** to the list of entities that automatically qualify under economic development. This brings such activities into the economic development category and has the potential to increase investments in local organizations that have long been supporting small businesses.

Emphasizes the **importance of intermediaries that support new businesses** and adds examples of additional technical assistance activities that qualify, including shared space, technology, and administrative assistance.

Qualifies investments that **support government economic development initiatives that incorporate job training and workforce development**.

Removes the reference to "currently" low- to moderate-income people, in response to criticism that the regulation was encouraging low-wage jobs, and considers an activity to be **more responsive if it benefits low- to moderate-income people or neighborhoods**. But, this may not be enough.

Explicitly lists **workforce development and job training programs, in addition to the changes within the economic development category,** as qualifying community development activities. While they may not fall specifically under economic development, we believe this elevates the importance of these activities, however they are categorized.

Areas of concern:
Despite removing the word "currently", a bank could still get credit for supporting low-wage jobs.

More concerning, however, is the fact that **two major areas of the "purpose test"** – investments in intermediaries supporting new businesses and the additional technical supports – **do not require any benefit to low- to moderate-income people or geographies**. This could open the door to a broad range of CRA qualifying activities that have no benefit to underserved populations.

We urge regulators to place the highest importance on activities that benefit lower-income workers and neighborhoods. As discussed further below, a new Q&A outlines specific ways regulators will evaluate how responsive a bank is to local needs. Those principles should be directly connected to this expanded economic development Q&A. The **performance context in this case is critical** to ensure that the activities are responsive to local credit and job needs, be it through wages, benefits, local hiring and training, supporting specific industries, etc. **Activities that do not benefit underserved populations – or worse, lead to their displacement – should not get CRA credit**.

loans. New York Community Bank, Popular Community Bank, and Signature Bank, for example, all increased lending for economic development, but that appears to be due to an increase in their commercial business in areas that happen to qualify for economic development credit with little attention paid to the quality of jobs or connections to nonprofits that will help connect people to quality jobs.

However, some banks are doing more. Deutsche Bank's Working Capital program expanded in 2014 to include economic development in addition to its traditional housing focus. This well-respected program is comprised of grants and "recoverable grants" (zero interest loans). In 2015, the bank awarded grants and loans to GrowNYC, Spaceworks, and the Brooklyn Navy Yard. Nonprofit CDFIs often utilize very high-touch approaches and need both loans and grants in order to deploy the capital most effectively. Capital One made a loan and a grant to the Business Outreach Center Network to enable this alternative lender to reach more small businesses. A few banks use NMTCs to support quality jobs. Carver reports that over the past 10 years, their NMTC allocations have led to over 2,000 jobs created. Goldman Sachs, too, continues to place a strong emphasis on economic development as part of their strategy, although we note a sharp decline in dollars loaned in 2015 in this category. As part of their 10,000 small businesses initiative, they support CDFIs that lend to small businesses, many of which are immigrant-led and minority- and/or women-owned business enterprises. These include New York Business Development Corporation and Business Outreach Center Network.

RECOMMENDATIONS

Recommendations for regulators:

- **Educate banks on the new Q&A revisions** and ways to effectively incorporate them into their CRA activities to promote equitable economic development.
- Place the highest emphasis **on activities that benefit lower-income workers and neighborhoods** with quality jobs. Despite removing the word "currently," a bank could still get credit for supporting low-wage jobs. **Regulators can also provide tools** to more readily determine if a particular deal meets the "size and purpose" test under the CRA.
- **Promote high quality jobs in community development lending and investments** by looking more closely at the quality of the business environment and the jobs created, preserved, or improved to gauge their impact. This includes wages, workforce development, benefits, hiring strategies, and supports for small businesses that create quality jobs. Not all CRA activities that promote economic development will meet the strict "size and purpose" tests, but could have a meaningful impact on the types of jobs created and preserved.
- Uphold the spirit of the law. **Two major areas of the "purpose test"** – investments in intermediaries supporting new businesses and additional technical supports – **do not require any benefit to low- to moderate-income people or geographies.** These are very important areas to promote, but we encourage regulators to uphold the spirit of the law, such that **activities that do not benefit underserved populations – or worse, lead to their displacement – should not get CRA credit.**
- **Raise the need for quality jobs in the performance context; include economic development organizations in the Community Contacts; benchmark the percentage of loans, investments, and services to each category of community development; and highlight best practices in the PE and CRA literature.** One of the best ways for banks and the community to understand what qualifies for CRA credit and what is important to regulators is through the bank's CRA exams as summarized in the **Performance Evaluation (PEs).**
- **Give extra CRA credit for equitable economic development activities.** As indicated in the new CRA guidance, activities that give low- to moderate-income individuals and other underserved communities access to quality jobs and a path to the middle class should be considered **responsive** and possibly **innovative.**
- **Provide more scrutiny of loans that automatically get CRA credit for economic development** to ensure they are truly creating quality jobs and economic opportunities to the people and communities that need them most, focusing more on the people and less on the place.

Recommendations for Banks:

- Develop a well-resourced, high capacity community development team that understands economic development. Commit to working with all stakeholders to develop a coordinated set of financing vehicles, resources, and expertise that can be tapped into by developers, lenders (CDFIs and CDCs), and small businesses themselves.

- **Devote at least $1 billion more towards equitable economic development** through community development loans, investments, and grants in order to bring the local bank reinvestment industry more in line with the national average and raise the bar nationwide. **Collectively, New York City banks can reach this $1 billion goal by:**

    (1) Allocating an additional $900 million of community development loans, investments, and grants towards economic development as well as any activities that fall under other CRA categories but still support quality jobs and increased economic opportunities through local hiring, workforce development, and small business supports.

    (2) Allocating an additional $165 million (50% more of the amount loaned to small businesses in low- to moderate-income tracts) and use those dollars for loans to women- and minority-owned small businesses and immigrant entrepreneurs as well as affordable smaller dollar loans to micro-enterprises.

- Ensure that economic development loans, investments, and services have an **intentional strategy to create, preserve, and improve quality permanent jobs.**

- Provide direct financing as well as capital and expertise to public-private partnerships that lead to the **development of affordable manufacturing space**. This may happen through existing or new financing mechanisms. Banks should make an extra effort to provide financing to nonprofit **developers of industrial space.**

- **Increase traditional small business lending** in low- to moderate-income census tracts and to smallest businesses; increase access to affordable loans and lines of credit; consider alternate forms of credit; provide flexibility for long-standing businesses that hit upon hard times; create products that match sector needs; have loan staff that can do intentional outreach in low- to moderate-income and immigrant communities; and implement a **"second look" program** that refers declined borrowers to alternative lenders who can provide loans and technical assistance and help businesses enter the banking mainstream in the future.

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

- Offer **credit building products** and provide **support for nonprofits that provide financial education and help small businesses prepare to access credit** to help more businesses access financing**.**

PHILANTHROPY / CRA-ELIGIBLE GRANTS

BACKGROUND

Nonprofit community development organizations, including community development corporations (CDCs), work on the ground to respond to the needs of the low-income, immigrant, and minority communities in which they work. The groups with which we work are mission-driven to serve these communities across the community development spectrum, including building and preserving affordable housing, creating and preserving quality jobs, and increasing access to credit and banking. **Many do all of this and more.**

These organizations support their missions from multiple sources, including government sources, fees for services, and individual donations or membership dues. However, most rely upon grants for a significant percentage of their funding. This may include grants from government entities, private foundations, or corporations such as banks.

CRA-eligible grants are technically considered "investments" under the Community Reinvestment Act and are evaluated under the investment test. However, because of their small size relative to other larger investments, such as tax credits and bond purchases – and their importance to the nonprofit sector – we analyze them separately in this report. We appreciate that some regulators have been splitting them out in some instances on CRA exams under the investment test.

Banks and their foundations support a wide variety of organizations – from schools, to the arts and culture, to affordable housing – to name a few. **CRA-eligible grants must support community development** as defined by the CRA to increase access to affordable housing, provide community services, promote economic development, revitalize or stabilize communities, and support certain foreclosure prevention activities. These grants must be qualified by regulators, similar to other categories of loans and investments submitted for CRA credit.

In this report, we also analyze the percentage of grants going to neighborhood-based organizations. These are the local organizations, including CDCs, which are working on the front lines with people most in need. We place a high emphasis on partnering with such organizations.

PRINCIPLES

CRA-eligible grantmaking is a critical source of funding for many community development organizations. Banks should implement strategic programs informed by these principles in order to best support these organizations in carrying out their missions to serve and empower low-income, immigrant, and minority populations throughout New York City.

- **Banks should strive to sustain or increase grantmaking each year.**

Nonprofits consistently respond to urgent community needs within their communities and citywide. They rely on stable funding in good times and bad to carry out their missions. Given the prospect of major cuts to funding, banks should make an effort to sustain or increase grantmaking each year, regardless of deposits or profits. This is the one area of the CRA where they do not get a return on investment and thus demonstrates a true commitment to the community development movement. The banks that take this most seriously dedicate **closer to 0.03% of local deposits towards grants.**

- **Banks should dedicate at least 50% of grants towards neighborhood-based organizations.**

Neighborhood-based organizations are locally based, many of which work on the ground to empower their communities and improve their neighborhoods. Giving directly to neighborhood-based organizations demonstrates an intentional commitment to New York City neighborhoods. ANHD members often are looking for funds to further their missions. This encompasses the wide range of community development activities, including but not limited to financial literacy, workforce development, pre-development and acquisition costs, grants to CDFIs to complement loans and investments, and community organizing.

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

- **Banks should adopt best practices for effective community development grantmaking.**

Community development grantmaking is about the dollars invested and the intentionality behind those dollars. Grant dollars are much smaller than other CRA-qualified investments and loans, but their impact can be profound when deployed in a thoughtful manner.

ANHD has developed a set of principles for impactful community development grantmaking:

- **Work closely with the nonprofit sector.**

As with all areas of a bank's CRA activities, banks should be in regular communication with the nonprofit sector to understand the greatest needs and latest trends. This would inform any new grantmaking strategies and programs, and ensure that any changes are well understood and create the minimum negative impact on current or future grantees.

  - **Be accessible through a transparent Request for Proposal (RFP) process.**
    - Current and potential grantees should readily understand how to apply for a grant from any bank foundation. The guidelines, process, and timeline should be clearly laid out. Current and potential grantees should have access to decision-making staff who can help them through the process to understand the process and funding decisions, including whether the grant is approved or denied.
  - **Be highly intentional with a specific theory and goal underlying the grantmaking.**
    - Banks cannot meet all community development needs through their loans and investments or their grants. In order to maximize impact, they should build upon their relationships with the nonprofit sector, coupled with the bank's own expertise and business, to develop programs that are strategic and impactful.

Banks that adopt these principles for at least some of their grantmaking have an impact on community development that goes beyond just the dollar amount.

TRENDS & FINDINGS

TABLE 34: CRA-ELIGIBLE GRANTS 2013-15					
	2013	2014	2013-14	2015	2014-15
Grants NYC (#)	1518	1503	-1.0%	1581	5.2%
Grants NYC ($ in millions)	$68.27	$66.12	-3.2%	$64.95	-1.8%
Avg. grant per bank ($'s)	$33,400	$30,757	-7.9%	$37,108	20.6%
Avg. grant size overall (total grants/total #) ($'s)	$40,007	$39,415	-1.5%	$38,199	-3.1%
Neighborhood-based grants (#)	589	594	0.8%	647	8.9%
Neighborhood-based grants ($ millions)	$15.81	$10.26	-35.31%	$11.43	11.4%

- **CRA-eligible grants decreased in 2015 while the number of grants increased. The distribution is unequal, resulting in larger grants to fewer organizations in some of the larger banks.**

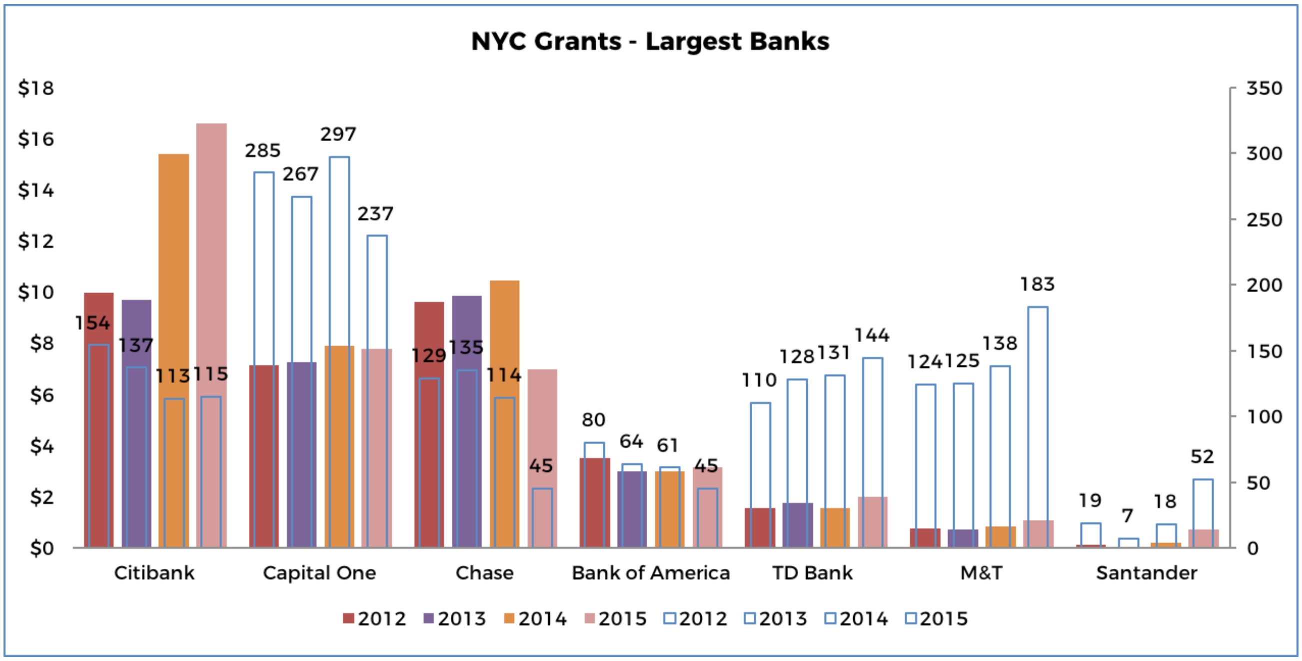
CRA-eligible grant dollars decreased another 1.8%, down $1.17 million, following a 3.2% decline, down $2.15 million, among the 19 banks for which we have data in 2013, 2014, and 2015. Most banks continue to dedicate less than one tenth of one percent of their local deposits to grants. **Banks that take CRA most seriously dedicate closer to 0.025%-0.033% of local deposits to CRA-eligible philanthropy**, including Capital One, Citibank, and M&T Bank. New York Community Bank, too, comes close at 0.023%. On the other end of the spectrum, Bank of America, Chase, and Santander dedicate less than 0.01% of deposits. We acknowledge that Santander has been steadily increasing in the past few years, but they are still low compared to their peers. We recognize that Chase's deposits are so much bigger than any other bank ($421 billion versus Citibank's $59 billion and Bank of America's $52 billion, for example) and are not likely to come close to the same benchmark, but we also see that their CRA-eligible grantmaking dropped sharply in 2015. At Apple Bank, Ridgewood Savings Bank, and Valley National Bank, the percentages are much lower, below 0.005%. But, Valley National Bank is increasing as well, up from $50,000 in 2014 and none for the prior four years. Among the wholesale banks, Deutsche Bank, Goldman Sachs, and Morgan Stanley are at 0.015% - 0.017%. Deutsche Bank increased both the number and dollar amount of grants considerably, bringing them to the highest levels we have seen since starting this study. Morgan Stanley is down from 0.035% in 2014. Their deposits increased and grantmaking decreased in 2015.

TABLE 35: CRA-ELIGIBLE GRANTS IN NYC 2014-15										
	2014				2015				2014-15	
	Deposits (b)	Grants (#)	Grants ($)	% to Deposits	Deposits (b)	Grants (#)	Grants ($)	% to Deposits	% change (#)	% change ($)
Largest										
M&T Bank	$3.21	138	$0.82	0.026%	$3.28	183	$1.08	0.033%	32.6%	31.6%
Capital One	$24.12	297	$7.88	0.033%	$26.91	237	$7.77	0.029%	-20.2%	-1.4%
Citibank	$59.27	113	$15.39	0.026%	$61.75	115	$16.58	0.027%	1.8%	7.7%
TD Bank	$15.06	131	$1.56	0.010%	$16.79	144	$1.98	0.012%	9.9%	26.9%
Santander	$8.73	18	$0.18	0.002%	$10.06	52	$0.70	0.007%	189%	286%
Bank of America	$52.31	61	$3.00	0.006%	$63.96	45	$3.16	0.005%	-26.2%	5.4%
Chase	$420.47	114	$10.44	0.002%	$436.74	45	$6.99	0.002%	-60.5%	-33.1%
Smaller										
New York Community Bank	$6.39	156	$1.82	0.028%	$6.30	194	$1.47	0.023%	24.4%	-19.2%
Popular Community Bank	$2.38	40	$0.29	0.012%	$3.40	31	$0.46	0.013%	-22.5%	55.5%
BankUnited	$0.97	16	$0.13	0.013%	$1.84	28	$0.23	0.013%	75.0%	83.9%
Carver	$0.53	11	$0.03	0.006%	$0.55	18	$0.06	0.010%	63.6%	94.2%
Dime	$2.00	5	$0.08	0.004%	$2.18	7	$0.20	0.009%	40.0%	142%
Astoria Bank	$3.55	33	$0.20	0.006%	$3.46	30	$0.21	0.006%	-9.1%	3.0%
Ridgewood Savings Bank	$2.69	97	$0.11	0.004%	$2.67	104	$0.09	0.003%	7.2%	-18.5%
Valley National Bank	$1.77	5	$0.05	0.003%	$2.27	13	$0.07	0.003%	160.0%	29.4%
Apple Bank	$6.73	11	$0.10	0.001%	$6.87	15	$0.10	0.001%	36.4%	1.4%
Wholesale										
Morgan Stanley	$19.57		$6.88	0.035%	$26.33	185	$4.55	0.017%		-33.8%
Deutsche Bank	$51.01	117	$4.89	0.010%	$42.68	133	$7.28	0.017%	13.7%	49%
Goldman Sachs	$64.63	140	$12.27	0.019%	$77.84	187	$11.96	0.015%	33.6%	-2.5%

ANHD members have noted over the past few years that banks seem to be changing their grantmaking strategies and that fewer grants are going to larger organizations. These trends appear reflected in the data. While grant dollars decreased, the total number of grants increased, indicating a larger number of smaller grants. However, among some of the larger banks that give more total dollars, the opposite is true. Looking at total grant dollars divided by the total number of grants, the average grant size is down slightly (from $40,007 in 2013 to $39,415 in 2014 to $38,199 in 2015). However, when we look at the average grant size per bank, the average of those amounts increased from $30,757 in 2014 to $37,108 in 2015. It was at $33,400 in 2012. The increase is most pronounced in the largest retail banks, going from $34,893 in 2013 to $47,362 in 2014 to $62,253 in 2015.

We see this within individual banks. While the dollar amount stayed the same or increased in many of these large banks, the number of grants from the biggest donors – Bank of America, Capital One, Chase, and Citibank – decreased in 2014 and 2015. Chase's grantmaking dollars declined by $3.45 million in 2015 and the number of grants by 69 (from 114 to 45). Citibank's grant dollars increased considerably in 2013 and into 2014 while the number of grantees declined.

The opposite is true at the smaller banks. New York Community Bank and Ridgewood Savings Bank, for example, decreased grant dollars and increased the number of grants. BankUnited increased both, and Astoria Bank stayed mostly the same. Popular Community Bank followed the trends of the larger banks, increasing dollars to fewer organizations. The others made very few grants at all. Only two wholesale banks – Deutsche Bank and Goldman Sachs – reported the number and dollar of grants over all three years. Morgan Stanley reported the dollar amount in prior years.



- **Grantmaking increased to neighborhood-based organizations**

TABLE 36: CRA-ELIGIBLE GRANTS TO NEIGHBORHOOD-BASED ORGANIZATIONS IN NYC 2013-15	2013	2014	2013-14	2015	2014-15
Grants NYC (#)	1,518	1,503	-1.0%	1,581	5.2%
Grants NYC ($)	$68.27	$66.12	-3.2%	$64.95	-1.8%
Neighborhood-based grants (#)	589	594	0.8%	647	8.9%
Neighborhood-based grants ($)	$15.81	$10.26	-35.3%	$11.43	11.4%

We are pleased to see the number and dollar amount of grants to neighborhood-based organizations increase in 2015 among the 15 banks that provide this data. This increase follows a sharp decline in dollars in 2014. Much of the decline in 2014 was due to a drop at Goldman Sachs, whereas the increase in 2015 was more evenly spread across the banks, although not universally so. Citibank's grants to neighborhood-based organizations have been increasing in recent years and increased the most in 2015, from 30 grants for $1.64 million in 2014 to 52 grants for $3.01 million in 2015. M&T Bank and Santander, too, increased their grants to neighborhood-based organizations. Santander has been picking up their CRA activity overall in the past two years and we are pleased that along with the increase, over half of their grants go to neighborhood-based organizations. Chase does not report on its grantmaking to neighborhood-based organizations, but anecdotally, we hear they were doing less of this type of grantmaking in recent years.

As in prior years, the smaller banks tend to dedicate higher percentages of their grants to local organizations. Only Astoria Bank, Dime, and Valley National Bank were below 50% by volume and Astoria Bank was not far below at 40%. The volume at the other two is quite low overall, but Valley National Bank has been increasing and we hope that continues. Among the wholesale banks, only Deutsche Bank and Goldman Sachs report this data. Deutsche Bank continues to be recognized for their commitment to local organizations, but still only about a third of their grants were to neighborhood-based organizations. At Goldman Sachs, just 13% did.

TABLE 37: HIGHEST PERCENTAGES OF GRANTS TO NEIGHBORHOOD-BASED ORGANIZATIONS (NBO) ($ MILLIONS)

	2014				2015			
Bank	NBO (#)	NBO ($)	% NBO (#)	% NBO ($)	NBO (#)	NBO ($)	% NBO (#)	% NBO ($)
Largest								
M&T Bank	97	$0.53	70.3%	64.3%	116	$0.60	63.4%	54.9%
Santander	11	$0.10	61.1%	56.2%	31	$0.38	59.6%	54.%
Citibank	30	$1.64	26.6%	10.6%	52	$3.01	45.2%	18.2%
TD Bank	56	$0.61	42.8%	39.1%	47	$0.47	32.6%	23.8%
Bank of America	25	$1.00	41%	33.3%	13	$0.91	28.8%	28.8%
Capital One	88	$1.15	29.6%	14.6%	40	$0.73	16.9%	9.4%
Smaller								
Carver	9	$0.02	81.8%	64.2%	16	$0.05	88.9%	92.1%
Ridgewood Savings Bank	78	$0.08	80.4%	77.3%	85	$0.07	81.7%	74.8%
Apple Bank	9	$0.09	81.8%	93.8%	12	$0.09	80%	88.7%
New York Community Bank	110	$1.44	70.5%	79%	126	$0.88	65%	59.8%
Popular Community Bank	9	$0.04	22.5%	13.7%	20	$0.38	64.5%	83.5%
BankUnited	5	$0.04	31.3%	27.5%	14	$0.10	50%	42%
Astoria Bank	16	$0.08	48.5%	39.3%	12	$0.08	40%	36.9%
Valley National Bank	1	$0.01	20%	9.8%	5	$0.02	38.5%	28%
Dime	1	$0.03	20.%	38.4%	1	$0.05	14.3%	25.3%
Wholesale								
Deutsche Bank	25	$1.46	21.37%	29.9%	32	$2.13	24.1%	29.2%
Goldman Sachs	24	$1.96	17.14%	16%	25	$1.51	13.4%	12.6%

- **More banks are adopting best practices for community development grantmaking.**

A few banks stand out as **collaborating with the nonprofit sector** in identifying priorities and creating programs. Citibank has long been a leader in this area. They consistently fund affordable housing and organizations working with immigrant populations, and in more recent years, they have been expanding to encompass more around economic development. Capital One and M&T Bank are also well-respected for their support of the community development movement, including supporting community organizing, an area that is not as well funded as other areas. Likewise, Deutsche Bank's Working Capital program is a long-standing pillar of the community development movement, providing grants and recoverable loans for pre-development costs, which can be particularly steep in a high-cost market like New York City. That program has historically focused on affordable housing. In recent years, they expanded the program to include economic development projects as well. Deutsche Bank, too, has a set of impactful grant programs benefiting immigrant communities, with a particular emphasis on Mexican communities in New York City.

M&T Bank and Capital One have remained consistent in their funding for organizing and base-building groups. Capital One reported that the decline in grants to neighborhood-based organizations did not impact the grants that support affordable housing and economic development through their central community development unit. We are pleased that BankUnited, a fairly new entrant into the New York City market, has made a strong commitment to general operating funds through their grants.

Many banks now have an **official RFP and/or clear guidelines** as to how to apply for a grant from the bank. Citibank and Capital One, however, remain invitation only. We recognize that they do extensive outreach to identify potential grantees and encourage them to consider an RFP as well. Goldman Sachs has not revisited its RFP after discontinuing it in 2014.

The smaller banks tend not to have RFPs, but instead support groups with which they have relationships. We appreciate this support for local organizations and encourage them to consider a more open transparent process so as to give more organizations a chance to apply. Given the low percentage of deposits dedicated to CRA-eligible grants among some of these same banks, we believe there is opportunity to continue this support of current grantees and expand the grantmaking to include more organizations. As part of their new CRA plan, Valley National Bank developed an RFP for their community development grantmaking, setting a good example for the field.

In addition to the programs already mentioned at Citibank and Deutsche Bank, other larger banks have specific focus areas that are **strategic and intentional**. Bank of America, for example, has specific focus areas for their grantmaking, including economic development and affordable housing. They are also recognized for their long-standing "Neighborhood Builders" program, which provides a large grant of $200,000, coupled with in-depth professional development and support for organizational leaders. BNY Mellon's Powering Potential program has consistently supported workforce development for underserved populations. Goldman Sachs, too, has a history of supporting economic development, including support for local CDFIs with grants and capital, both of which are needed for the CDFIs to carry out their missions. Chase has repurposed their grantmaking to align with their three focus areas. We appreciate the thought that went into Chase's new programs, but we note that their CRA-eligible grants declined in 2015, and as has been mentioned before, the change in focus came at the expense of some long-standing commitments to smaller organizations. We hope to see that return in coming years.

Finally, **strategic collaborations** are an important part of the community development funding landscape. When funders come together with the nonprofit community development sector, they have the opportunity to provide larger grants in strategic areas. Coalitions, like the New York Mortgage Coalition and Center for NYC Neighborhoods for example, provide funding to these intermediaries that distribute funds to and provide support for smaller organizations for the collective goal of increasing access to homeownership. Another example we have cited before is the Change Capital Fund, which launched in 2014 to support community-based CDCs to use data-driven approaches and grassroots strategies to expand economic opportunity for their communities, which are predominantly low-income, immigrants, and people of color. As always, these are just a few examples of quality philanthropy.

Again, nonprofit organizations, especially smaller CDCs, rely upon grants in good times and in bad. With the prospect of federal funding cuts looming, private grants will be critical to help sustain these groups. This includes grants for general operating support, affordable housing, financial education, and equitable economic development. We encourage all banks to adopt the best practices outlined here in order to maximize the impact of their grantmaking programs.

RECOMMENDATIONS

ANHD recommends that banks amplify the impact of their community development grantmaking by doing the following:

- **Sustain or increase grantmaking each year.**

Nonprofits rely upon grants in good times and bad, and thus banks should make an effort to sustain or increase grantmaking each year, regardless of deposits or profits. Banks that take this most seriously dedicate **closer to 0.03% of local deposits towards grants.**

- **Dedicate at least 50% of grants towards neighborhood-based organizations.**

Grants to neighborhood-based organizations that provide general operating support and support affordable housing, equitable economic development, and financial literacy are particularly impactful. But, as described next, most important is to be connected to the local organizations so that the grantmaking reflects local needs.

- **Adopt best practices for effective community development grantmaking.**

Community development grantmaking is about the dollars invested and the intentionality behind those dollars. Grant dollars are much smaller than other CRA-qualified investments and loans, but their impact can be profound when deployed in a thoughtful manner.

ANHD has developed a set of principles for impactful community development grantmaking:

- **Work closely with the nonprofit sector.**

As with all areas of a bank's CRA activities, banks should be in regular communication with the nonprofit sector to understand the greatest needs and latest trends. This should inform any new grantmaking strategies and programs and ensure that any changes are well understood and create the minimum negative impact on current or future grantees.

- **Be accessible through a transparent RFP process.**

Current and potential grantees should readily understand how to apply for a grant from any bank foundation. The guidelines, process, and timeline should be clearly laid out. Staff should be accessible to potential and current grantees throughout the process.

- **Be highly intentional, with a specific theory and goal underlying the grantmaking.**

Banks cannot meet all community development needs through their loans and investments or their grants. In order to maximize impact, they should build upon their relationships with the nonprofit sector, coupled with the bank's own expertise and business, to develop programs that are strategic and impactful.

Banks that adopt these principles for at least some of their grantmaking have an impact on community development that goes beyond just the dollar amount.

APPENDIX A

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. Much of what is publicly available is at a geographic level that is either too broad or too narrow for our purposes of looking at citywide reinvestment patterns. Simply put, the CRA requires banks to act locally, but report regionally, and this disconnect makes accurate analysis difficult. ANHD hopes that our report addresses this disconnect and adds to our collective understanding of how the CRA can be implemented with the greatest impact.

The report includes both year-to-year comparisons and analysis of the current year's data. In order to make fair comparisons, only institutions that provided information in both years (2014-15) were included in trending analysis year to year. For this reason, there is some data that banks provided for 2014 or 2015 that we could not use for year-over-year analysis since the same information was not provided in the previous year. Appendix A details all information that we received from each lender. HSBC and Wells Fargo failed to provide data once again, so we relied solely upon public data for these banks (HMDA, CRA small business, branching and bank products). Flushing Bank has never responded to our survey. Last year, we used data from Flushing Bank's most recent FDIC CRA exam, making every effort to match the data to our categories and making some estimation for New York City. But without more recent 2015 data, this impacts year to year comparisons in some categories.

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. The data we used includes:

- CRA Wiz for 1-4 family lending (HMDA data), multifamily lending (HMDA data used when multifamily lending was not provided by the bank), small business lending, and New York City deposits.
- FDIC for bank branches not supplied by the bank, Tier 1 capital, assets, and national deposits
- Bank annual reports and CRA examinations
- Bank websites and printed materials

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

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

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

- **Largest banks:** Retail Commercial and Savings Banks with $50 billion or more in assets.
- **Smaller banks:** Retail Commercial and Savings Banks with fewer than $50 billion in assets.

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

OVERALL REINVESTMENT QUANTITY INDEX & QUALITY SCORE

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

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

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

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

Overall Reinvestment Quantity 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 is not 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. University Neighborhood Housing Program's BIP database assigns properties to a particular lender based on records pulled from the City's Register (ACRIS), which records mortgage activity in New York City. The most recent Party 2 on a mortgage document (excluding satisfactions) is used, and mortgages recorded in the past 10 years 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.

We used the most recent BIP database from December 2016 for an analysis of who banks are lending to, but we used the September 2016 release for BIP scores because the December release does not include water liens.

Another indicator we analyzed is a simpler indicator of physical neglect, based on the number of B and C violations. We believe a building is very likely to be physically distressed if the ratio of all open B and C violations to total units is greater than or equal to "4".

We then analyzed the percentage of these physically distressed buildings in a given lender's portfolio.

RACIAL DISPARITIES IN 1-4 FAMILY LENDING

ANHD uses Home Mortgage Disclosure Act (HMDA) data to examine lending patterns, including racial disparities in both home purchase and refinance loans originated for 1-4 family homes.

We look at 1-4 family, owner-occupied, first-lien loans (Conventional, FHA, or VA). For racial disparities, we breakdown in the following racial/ethnic categories:

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

Checking accounts/Access to banking score

- Overdraft policies: The Pew Charitable Trusts studies were used for overdraft policies in 2015. For banks not in that study, we used data from available online and print materials.
- Checking account fees and requirements were retrieved from individual bank websites, supplemented with calls or visits to the bank when the data was unclear. Standards are based on local needs and the BankOn national account standards.

APPENDIX B

SUMMARY OF RESULTS FOR ALL 25 BANKS

Year	Total for 2015	# Responses 2015	# Banks for which we have data in both 2014-15
Staffing			
Community Development Staff Serving NY	404	21	20
Community Development Staff Located in NYC	268	21	20
Staff supporting CRA Activity	424	19	19
CRA Staff Located in NYC	224	20	20
Average % Community Development Staffing located in NYC	76.55%		
Branches & Deposits (billions)			
Tier 1 Capital	$705	25	25
Total Deposits (National)	$5162	25	25
Total Deposits in NYC (b)	**$1071**	**25**	**25**
Total NYC Branches	1426	21	21
Low-Income (LI) Branches	137	21	21
Mod. Income (MI) Branches	330	21	21
Average % branches in low- and moderate-income neighborhoods	33.3%		
Average % branches in LI Census Tracts	8.8%		
Multifamily (MF) Lending (m)			
MF Lending (# Loans)	4,524	21	21
MF Lending (in $)	$21458	21	21
MF Lending in LMI tracts (#)	2405	21	21
MF Lending in LMI tracts ($)	$9980	21	21
Average % of MF lending in LMI neighborhoods (#)	51.2%		
Average % of MF lending in LMI neighborhoods ($)	48.1%		
MF CD Lending (#)	1,039	19	18
MF CD Lending ($)	$4741	19	18
Average % of MF Community Development Lending (#)	24.2%		
Average % of MF Community Development Lending ($)	28.2%		
Community Development Lending (millions)			
Community Development Lending (# Loans)	469	21	20
Community Development Lending (in $)	$3900	22	21
Average Community Development Lending as % of Deposits	1.8%		
CD Loans to Nonprofits (#)	167	19	18
CD Loans to Nonprofits ($)	$1047	20	19
Average % Community Development Loans to NFPs (#)	45.1%		
Average % Community Development Loans to NFPs ($)	37.3%		
CD Loans to CDC's (#)	11	16	15
CD Loans to CDC's ($)	$111	17	16
Average % Community Development Loans to CDCs (#)	8.0%		
Average % Community Development Loans to CDCs ($)	7.2%		
Affordable Housing Loans (#)	157	21	20
Affordable Housing Loans ($)	$1827	22	21
Affordable Housing to NFPs (#)	61	18	17
Affordable Housing to NFPs ($)	$665	19	18
Economic Development Loans (#)	170	22	21
Economic Development Loans ($)	$856	22	21

Small Business Lending (m)			
Small Loans to Businesses (#)	108,532	21	21
Small Loans to Businesses ($)	$3408	21	21
... in LMI tracts (#)	37,592	21	21
... in LMI tracts ($)	$902	21	21
Average % Small Loans to Businesses LMI neighborhoods (#)	33.9%		
Average % Small Loans to Businesses LMI neighborhoods ($)	30.8%		
Small Loans to Small Businesses (Revenue <$1M) (#)	**44,411**	**21**	**20**
Small Loans to Small Businesses (Revenue <$1M) ($)	**$834**	**21**	**20**
... in LMI tracts (#)	16,461	21	20
... in LMI tracts ($)	$251	21	20
Average % Small Loans to Small Businesses LMI neighborhoods (#)	39.5%		
Average % Small Loans to Small Businesses LMI neighborhoods ($)	37.8%		
CRA-Eligible Investments			
CRA Qualified Investments (#)	232	20	19
CRA Qualified Investments ($)	$1856	21	20
Average CRA-qualified investments as % of Deposits	0.49%		
CRA Qualified Investments to NFPs (#)	50	18	17
CRA Qualified Investments to NFPs ($)	$457	18	17
Average % CRA-qualified investments with nonprofit sponsors (#)	28.1%		
Average % CRA-qualified investments with nonprofit sponsors ($)	27.3%		
LIHTC (#)	54	19	18
LIHTC ($)	$719	19	18
NMTC (#)	7	16	16
NMTC ($)	$34.35	16	16
CRA Qualified Investments for Economic Development (#)	19	17	19
CRA Qualified Investments for Economic Development ($)	$47.52	17	$47.52
1-4 Family Home Mortgage Lending (m)			
Home Purchase Loans (#)	13,779	21	21
Home Purchase Loans ($)	$8369	21	21
Home Purchase Loans to LMI borrowers (#)	1,223	21	21
Home Purchase Loans to LMI borrowers ($)	$194	21	21
Average % of Lending to low- and moderate-income Borrowers (#)	12.1%		
Average % of Lending to low- and moderate-income Borrowers ($)	5%		
Refinance Loans (#)	5,730	21	21
Refinance Loans ($)	$2864	21	21
Refinance to LMI borrowers (#)	508	21	21
Refinance to LMI borrowers ($)	$74.7	21	21
Average % of Lending to low- and moderate-income Borrowers (#)	10.9%		
Average % of Lending to low- and moderate-income Borrowers ($)	4.7%		
Philanthropy (millions)			
Total Philanthropic Giving (National) (#)	9,146	17	15
Total Philanthropic Giving (National) ($)	$384	19	18
CRA Eligible Grants in NYC (#)	1,506	19	18
CRA Eligible Grants in NYC ($)	$66.14	20	19
Average % of Deposits Dedicated to Philanthropy (NYC)	0.012%		
Grants to Neighborhood Based Organizations (#)	594	17	14
Grants to Neighborhood Based Organizations ($)	$10.26	17	14
Average % grants to Neighborhood Based Organizations (#)	47.5%		
Average % grants to Neighborhood Based Organizations ($)	44.8%		
Reinvestment activity (millions)			
Total Reinvestment (includes all banks, whether they reported on some or all categories)	$11082		
Average % of Reinvestment to Deposits	5.05%		
Overall Index (Total Reinvestment divided by total deposits)	1.03%		

APPENDIX C

SAMPLE ANHD ANNUAL REINVESTMENT SURVEY

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

- **Bank Name / Address:** ___________________

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

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

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

Small Business Lending:

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

Please provide the following data:

Branching: Branching

- Total Branches in NYC
- Branches in NYC in low-income census tracts
- Branches in NYC in moderate -income census tracts

Please list any government programs (City, State, and or Federal) BANK participated in in 2015 to increase access to unbanked/under-banked New Yorkers.

What internal programs, products and/or practices did BANK offer in 2015 that are accessible to and/or targeted to immigrant and low- and moderate-income New Yorkers?

What ID's does BANK accept as primary identification?

Acceptance of IDNYC (NYC Municipal ID)

- Accept as Primary ID? Yes / No
- Accept as Secondary ID? Yes / No

Community Development and CRA-related Staffing

We are requesting the following information concerning Bank's staffing as of December 31, 2015:

- Number of community development lending staff serving the New York City market
- Number of community development lending staff located in the city
- Number of staff supporting CRA-related activities in NYC
- Number of staff who support CRA-related activities that are located in the city

Please fill in the requested above information:

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

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

- (Yes/No) ____________________

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

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

Community Development Lending

Community development loans are loans to borrowers for affordable housing rehabilitation and construction, neighborhood revitalization, small business development, and job creation initiatives as well as loans to community loan funds and nonprofit organizations that serve primarily LMI households. We are requesting the following information concerning Bank's community development lending in 2015.

(**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)

Please fill in the requested above information:

CD Lending (m)

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

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

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

Multifamily Lending in New York City

Multifamily loans are permanent loans, either originations or re-financings, to individual landlords or investors of multifamily properties, such as an apartment building with five or more units. We are requesting the following information concerning Bank's multifamily lending in calendar year 2015:

(As we're confident you've done in the past, please be sure to include re-financing done through a MECA/CEMA agreement, but not loans purchased.)

Multifamily (MF) Lending (m)

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

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

We are requesting the following information concerning Bank's loan modification activity in New York City in 2015 in both HAMP and non-HAMP (proprietary).

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

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

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

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

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 2015

Please fill in the requested information for **CRA-Eligible Investments (m)**

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

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

CRA-Eligible Grants (Philanthropy)

We are requesting the following information concerning Bank's CRA-eligible grants in 2015:

ANHD strongly believes 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 grantmaking program works closely with the nonprofit sector and its intentionality and theories/goals underlying the grantmaking.

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

Please fill in the requested above information:

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

Development of a Local CRA Plan

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

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

Community Responsiveness and Innovativeness

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

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

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

GLOSSARY OF TERMS & ACRONYMS

Bank Classifications as defined by federal bank regulators.

Retail Savings and Commercial Banks:

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

Savings Banks in reference to Thrifts, defined as: An organization that primarily accepts savings account deposits and invests most of the proceeds in mortgages. These include **Savings Banks** and **Savings and Loan Associations,** which are financial institutions that accept deposits primarily from individuals, and channel funds primarily into residential mortgage loans.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Federal Deposit Insurance Corporation (FDIC): An independent federal agency created in 1933 in response to the bank failures that precipitated the Great Depression. Among other things, the FDIC insures customer deposits up to $250,000 held in banks and thrift institutions and supervises (including conducting CRA examinations of) more than 4,900 banks, predominantly savings banks and state-charted commercial banks that did not join the Federal Reserve System.

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

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

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

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

Housing and Urban Development (HUD): The U.S. 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): The New York City Housing Development Corporation was 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): New York City Housing Preservation and Development 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) is low-income. New York City is part of the New York Metropolitan Area with an AMI $71,300 (low-income $35,650) in 2015. Using slightly different geographic areas, and adjusting for the high cost of housing, HUD set 50% AMI for a family of four to be $43,150 in 2015.

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 AMI, or $40,804.

Moderate-Income: A family whose income is 50%-80% of the AMI. New York City is part of the New York Metropolitan Area with an AMI of $71,300 (moderate-income $34,450 - $57,040) in 2015. Using slightly different geographies and adjusting for the high cost of housing, HUD set 50%-80% AMI for a family of four to be $43,150 - $69,050 in 2015.

Multifamily Lending: Loans, either originations or refinancings, to individual landlords or investors of multifamily properties, which are buildings with five or more housing units.

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

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

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

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

Small Business Loans: CRA regulators consider "small business loans" to be small loans to businesses, which are loans of $1 million or less to businesses of any size. They then analyze them by amount, geography, and business size. ANHD focuses on the subset of loans made to small businesses with revenues of $1 million or less.

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

Sources:

a. Definitions related to CRA: http://www.federalreserve.gov/communitydev/cra_about.htm, www.frbsf.org/community/craresources/CRA101JO.ppt*, http://www2.fdic.gov/crapes/peterms.asp; and* http://www.ffiec.gov/cra; Regulation BB Community Reinvestment, Section 228.12(s); www.ncrc.org/images/stories/pdf/cra_manual.pdf

b. Census tract information: http://www.census.gov/geo/www/cen_tract.html;

c. Area Median Income data: http://www.huduser.org/portal/datasets/il/il2011/2011summary.odn

d. Additional CRA Exam information and agency and acronym definitions retrieved from: www.sba.gov; www.hud.gov; www.nyc.gov/hpd; www.nychdc.com*; www.communityp.com;* www.occ.gov; *www.federalreserve.gov; www.fdic.gov; www.irs.gov*

ANHD Reports: http://www.anhd.org/resources-reports