THE STATE OF BANK REINVESTMENT IN NEW YORK CITY: 2015

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

ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.

THE STATE OF BANK REINVESTMENT IN NEW YORK CITY: 2015

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

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

For more information on ANHD's reports and programs, please see www.anhd.org or contact: The Association for Neighborhood and Housing Development, 50 Broad Street, Ste. 1402, New York, New York 10004-2699. 212-747-1117.

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

ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Summary of Major Findings

Change in Reinvestment 2012-13, 2013-14 (BILLIONS)								
	2012	2013	Cnt	% chg	2013	2014	Cnt	% chg
Locally Held Deposits	$805.27	$869.77	25	8%	$869.77	$991.92	25	14%
Core Consumer & Commercial Lending Reinvestment	$4.65	$5.19	20	11.5%	$5.19	$6.49	21	25%
Community Development Reinvestment	$5.26	$6.13	24	16.5%	$4.77	$5.60	22	17%
Overall Reinvestment Volume	$9.91	$11.32	24	14.2%	$9.96	$12.09	25	21.3%

- **Local deposits** continue to increase – up 14% in 2014, reaching $991 billion. Much of this was related to Manhattan and wholesale national deposits. In the outer boroughs, deposits rose much more modestly, up just 3.6% from $96.51 billion in 2013 to $99.94 billion in 2014. Seven banks increased deposits but decreased reinvestment in NYC.
- **The multifamily market remains strong,** but the number of loans decreased 20% among banks in this study and by 13% in lower-income neighborhoods. The number multifamily loans qualifying for community development decreased in 2014, but the dollar amount increased. While signs of physical and financial distress remain low, rising rents and sales prices, especially in historically more affordable neighborhoods, increases the pressure on lower-income tenants, putting them at risk of displacementBanks and non-bank lenders are lending to known bad actor landlords.
- With a few exceptions, the percentage of community development loans and investments under the **economic development category** is very small, highlighting the challenges with the category and the opportunity for activity to support quality jobs. ANHD believes that **at least $1 billion more could be reinvested in NYC to support equitable economic development.**
- **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. Three branches closed in the Bronx. Some new accounts appear more accessible to lower-income New Yorkers, but many remain out of reach. **Only four banks currently accept the IDNYC as primary ID.**
- The number of **Home Purchase loans** went down 14% from 2013-14 and 6% from 2012-14. The decline to LMI borrowers was about the same in 2014, but down 11% from 2012. A large factor is the decline in lending by the Big 4 banks (Chase, Citibank, Bank of America and Wells Fargo) and HSBC. The share of lending by the Big 4 banks in NYC has been steadily declining citywide and nationwide, while the number of **non-CRA-covered lenders is on the rise,** particularly in FHA lending. **Racial disparities persist;** 22% of New Yorkers are Black and 29% Latino, yet on average the banks in this study made just 9.6% of home purchase loans to Blacks and 7.3% to Hispanics. Thousands of homeowners are still in, or at risk of, **foreclosures,** with the highest percentages in communities of color in Brooklyn, Queens, and the Bronx.

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

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

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

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

MAJOR FINDING #1

RECENT CHANGES IN THE CRA LANDSCAPE

Since the CRA public hearings in 2010 as well as stronger laws like Dodd Frank, legislators and regulators have been exploring and implementing meaningful changes to hold banks more accountable to local communities. In this report, we outline three areas in particular:

CRA Plans as Conditions of Mergers and Acquisitions

After a period of relative quiet in the New York area and much of the country, mergers and acquisitions seem to have picked up again in recent years, and there are many indications that they will continue. Mergers and acquisitions offer a unique opportunity to raise the bar for community reinvestment. Banks receive great financial benefits from such transactions and have an obligation to ensure that the local communities benefit as well. While important in all cases, this is especially important when the transaction leads to fewer banks, less competition, and fewer branches, as most mergers inevitably do. Regulators are in fact required to consider both the bank's CRA rating and its forward-looking plans to better meet the needs of the communities it serves. The best way to do this is by working collaboratively with local community organizations to create a CRA plan. A CRA plan makes the CRA more relevant to the local needs of the communities the banks serve. ANHD believes that **no merger or acquisition should be approved without a CRA plan for all a bank's assessment areas, including new areas that result from the transaction.**

While each bank's CRA plan would vary depending on the bank's business model and expertise, and the specific needs of the communities they serve, there are certain commonalities each bank should adopt in developing and finalizing a CRA plan. Banks should conduct a needs assessment, engage the nonprofit community; and make the plan public and monitored by the bank's regulatory agency(ies). The plan should have concrete, measurable goals consistent with the local needs, with a strong commitment to nonprofit developers and community based organizations. The plan should follow best practices, particularly as they align with a bank's business model, including branches and banking products; equitable, affordable 1-4 family lending; responsible multifamily lending; responsible small business lending and supports; strategic community development loans, investments and grants; and a local team of knowledgeable community development staff

We have been pleased to see a growing acceptance among regulators in recent years that a prospective, detailed commitment, often in the form of a CRA plan, should be required from banks at the time of mergers and acquisitions. These are positive steps that we hope set a strong precedence for future decisions at the time of mergers and acquisions.

CRA Modernization through Regulatory Reforms

ANHD has great respect for the CRA and all it has accomplished, but as we've written in this and previous reports, there are areas where it falls short and where it hasn't kept up with changes in the banking world. Given the current political climate, legislative action to address these issues is highly unlikely. Thankfully, there is much the regulators can under existing laws – through rule-making and procedural changes – to strengthen the impact of the CRA. Indeed, over the past few years, bank regulators have been reviewing CRA and other bank regulations and guidance to do just that. ANHD has submitted multiple comments outlining areas where we believe the regulations can and should be strengthened, from bank branches and products to racial disparities in lending to community development activities. We also believe regulators can improve how and where banks are evaluated; transparency of data; and how they engage communities in the process. The comments are summarized in this report and available in full on our website.

The Home Mortgage Disclosure Act (HMDA) Final Rule Release

The federal Home Mortgage Disclosure Act (HMDA) created one of the most important tools we have to analyze the home mortgage market. Through data required to be reported under HMDA, we can evaluate residential lending to better understand who is, and isn't, getting access to credit and identify patterns of discrimination. HMDA has enabled communities across the country to identify patterns of discrimination as well as unmet credit needs.

However, the law also has limitations that are now being addressed through the Dodd-Frank Act of 2010. The Consumer Financial Protection Bureau (CFPB) was tasked with writing the new rules, which were finalized in October 2015. ANHD worked with advocates nationwide to call for broad improvements, many of which made it into the final rules.

We are very pleased with much of what made it into the final rules. For one thing, **New York CEMA/MECA loans are now HMDA-reportable.** Mortgages known as a "CEMA" or "MECA" loans are very common in New York to lower mortgage recording taxes, and most often used in lieu of traditional refinance loans. Due to a technicality, they have never been HMDA-reportable, leading to a vast underreporting of loans, especially larger dollar multifamily loans. The rules now require lenders to report all NY CEMAs used for residential transactions. The rules also expand data related to multifamily housing units and affordability, home equity loans / lines of credit, reverse mortgages, and manufactured housing. It expands and improves upon data related to underwriting criteria, credit scores, loan terms and pricing, and fair lending, such as more detailed information on borrowers' credit score, age, and disaggregated data on the race and ethnicity of Hispanic and Asian borrowers

Unfortunately, HMDA continues to exclude banks under a certain asset size and now excludes all lenders that make no 1-4 family loans and those that make fewer than 25 closed-end loans, including some high-volume multifamily lenders, only exacerbating the under-reporting of multifamily loans. There is also no underwriting data for multifamily housing; indication if the loans are Qualified Mortgages or Qualified Residential Mortgage; or the language of the borrower or materials presented.

MAJOR FINDING #2

OVERALL REINVESTMENT VOLUME INDEX AND QUALITY SCORE

- **Overall reinvestment increased 21% in 2014 to $12.1 billion.** Community Development Reinvestment increased 17% and Core Consumer & Commercial Lending Reinvestment increased 25%. **$12.1 billion equals 1.22% of the total locally held deposits, down from 1.3% in 2013.** The average reinvestment index among all 25 banks was 5.5% and the median 1.2%. Five banks exceeded 5% of local deposits (down from seven in 2013).
- Eight banks received a **quality score** above 3 in 2014.

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

Overall Reinvestment QUALITY Index:

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

Overall Reinvestment QUALITY SCORE:

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

TABLE 1

2014 OVERALL REINVESTMENT VOLUME INDEX & QUALITY SCORE

Overall Reinvestment VOLUME Index						
	Reinvest-ment	% Change 2013-14		Reinv. Index	% Chg. Index 2013-14	
Largest Banks (Greater than $50 B assets)						
M&T	$541	↑	84.4%	**16.8%**	↑	53.2%
Citibank	$1,875	↑	42.1%	**3.16%**	↑	34.9%
Capital One	$736	↑	5.7%	**3.05%**	↑	0.2%
Santander	$91.46	↑	143%	**1.05%**	↑	126%
Bank of Amer.	$302	↓	-20.3%	**0.58%**	↓	-27.6%
Wells Fargo*	$76.07	↓	-52.7%	**0.48%**	↓	-60.2%
TD Bank	$71.46	↓	-9.3%	**0.47%**	↓	-20.1%
Chase	$1,146	↓	-9.8%	**0.27%**	↓	-17.4%
HSBC**	$46.20	↓	-88.1%	**0.07%**	↓	-90.6%
Smaller Banks (Fewer than $50 B Assets)						
NY Community	$3,667	↑	24.5%	**57.4%**	↑	13%
Flushing	$217	↑	45.1%	**18.2%**	↑	47.4%
Dime	$166	↑	31.8%	**8.29%**	↑	29.9%
Signature	$1,221	↑	18.5%	**8.09%**	↓	-10.5%
Astoria	$171	↓	-16.2%	**4.83%**	↓	-13.1%
Carver	$17.59	↓	-61.9%	**3.34%**	↓	-64.4%
BankUnited	$25.30			**2.62%**		
Ridgewood	$67.89	↓	-37.7%	**2.52%**	↓	-36.5%
Popular Comm.	$48.47	↓	-24.5%	**2.03%**	↓	-20.7%
Emigrant	$10.19	↓	-6.6%	**1.17%**	↓	-9.1%
Valley National	$11.48	↓	-81.4%	**0.65%**	↓	-83.2%
Apple Bank	$25.16	↓	-77.9%	**0.37%**	↓	-77.8%
Wholesale						
Morgan Stanley	$260	↑	112%	**1.19%**	↑	33.4%
Deutsche Bank	$516	↑	199%	**1.01%**	↑	77.6%
Goldman Sachs	$354	↑	37.6%	**0.55%**	↑	39.2%
BNY Mellon	$428	↑	64.2%	**0.30%**	↑	35.7%

Reinvestment QUALITY Score	
	Total Score
Capital One	3.63
Chase	3.27
Citibank	3.11
M&T	2.67
Bank of Amer.	2.47
TD Bank	2.17
Santander	2.06
HSBC	2.02
Wells Fargo	1.06
Carver	4.17
Popular Comm.	4.03
Flushing	3.07
NY Community	2.87
BankUnited	2.83
Ridgewood	2.83
Astoria	2.57
Dime	2.50
Signature	2.40
Apple Bank	2.38
Emigrant	1.54
Valley National	1.50
Deutsche Bank	3.86
Morgan Stanley	3.31
Goldman Sachs	2.36
BNY Mellon	1.39

• Wells Fargo: didn't supply data in 2014. In 2013, Wells Fargo's reinvestment was $1,181 million (8.91% local deposits)
** HSBC didn't supply data in 2014. In 2013, HSBC's reinvestment was $517.6 million (1.01% local deposits)

Trends in Reinvestment in New York City:

The report gives a detailed analysis of bank deposits, branching, staffing, and reinvestment activities in New York City, including community development lending, CRA-qualified investments, CRA-eligible grants, and lending for 1-4 family homes, multifamily buildings, and small businesses. Overall, the trend was positive in that both locally held bank deposits and reinvestment dollars increased in 2014. However, nine banks increased deposits, yet decreased their reinvestment dollars.

Multifamily Lending:

- After a number of years of increases, multifamily lending declined in 2014 by 20% and by 13% in lower-income neighborhoods. Compared to 2012, the overall lending was flat (up just 0.5%) and increased 8.4% in LMI tracts. Given the strong market overall, the decline among lenders in this study could be related to increased competition from bank and non-bank lenders in NYC.
- While signs of physical and financial distress remain low, the rising rents and sales prices citywide, including in historically more affordable neighborhoods, are troubling and suggest that lower-income tenants everywhere are vulnerable to harassment and displacement. Banks and non-bank lenders continue to lend to known bad-actor landlords.

TABLE 2

HIGHEST PERCENTAGES OF MULTIFAMILY LOANS IN LMI TRACTS AND AS COMMUNITY DEVELOPMENT (CD) LOANS

Multifamily loans in LMI tracts (excluding banks making 10 or fewer loans)				
	# in LMI tracts	$ in LMI tracts	% LMI tracts (#)	% LMI tracts ($)
Largest Banks				
Chase	293	$892.00	59%	53.2%
Santander	66	$266.55	55.5%	43.7%
Capital One	152	$484.50	49.5%	47.8%
M&T	21	$249.71	35%	48.2%
Smaller Banks				
Popular Comm.	15	$23.08	79%	65.4%
Ridgewood	54	$91.40	75%	69.2%
Signature	376	$1278.72	67%	51.6%
Flushing	143	$238.53	61.6%	61.6%

Multifamily CD Loans				
	MF CD Loans (#)	MF CD Loans ($)	% CD (#)	% CD ($)
Citibank	8	$316.16	100%	100%
Chase	80	$234.00	16.1%	14%
Capital One	45	$468.70	14.7%	46.2%
Bank of America	10	$54.41	10%	85.3%
Flushing	136	$211.83	58.6%	54.7%
Popular Comm.	10	$9.28	52.6%	26.3%
Ridgewood	35	$47.20	48.6%	35.8%
NY Community	398	$3381.42	40.5%	57.3%

Branches and Bank Products:

- The net number of branc es increased by just 11 branches, but the distribution remains inequitable, with core Manhattan inundated with branches, while lower-income neighborhoods in the Bronx, Brooklyn, and Queens still lack sufficient branches and ATMs.
- More of the largest banks are improving their overdraft policies with better disclosures and fewer ways to overdraft. However, basic overdraft fees remain close to $35 at most banks, with many also charging monthly maintenance fees that can be difficult to avoid. We are seeing a positive new trend towards "checkless check ing accounts" that do not allow for overdrafts; while they still charge $5 – $10 monthly fees, they are much more transparent and customers are less likely to be surprised by other fees

TABLE 3

HIGHEST PERCENTAGES OF BRANCHES IN LOWER-INCOME CENSUS TRACTS

Branching in Low- and Moderate-Income (LMI) Census Tracts				Branching in Low-income (LI) Census Tracts			
	Total	# LMI	%LMI		Total	# LMI	% LMI
Largest Banks							
Chase	383	134	35%	Chase	383	50	13.1%
Bank of Amer.	115	40	34.8%	Bank of Amer.	115	12	10.4%
Capital One	141	46	32.6%	Citibank	152	14	9.2%
Smaller Banks							
Carver	10	7	70%	Popular Comm.	32	8	25%
Popular Comm.	32	21	65.6%	BankUnited	5	1	20%
Dime	18	9	50%	Flushing	15	3	20%

Community Development Staff:

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

Community Development Lending & Investments

- Community development lending was largely flat in 2014, with the number of loans down 18%. CRA-qualified investment dollars increased by 55%, but the number of investments went down 16%. The number of community development loans to nonprofits declined 6%, but the dollar amount increased 17%. Lending to neighborhood-based CDC's dropped sharply in 2014 and remains low as a percentage of community development lending.

TABLE 4

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

Highest percentages of Community Development lending to not-for-profits (NFP)					Highest percentages of CRA-Qualified investments to not-for-profits				
	# to NFP	$ to NFP	% (#)	% ($)		# to NFP	$ to NFP	% (#)	% ($)
Largest Banks					**Largest Banks**				
Chase	34	$154	63%	39.8%	M&T	1	$14.60	20%	97%
Capital One	18	$53.80	69.2%	33.4%	Chase	3	$71	13.6%	17%
Citibank	15	$206	50%	27.1%					
TD Bank	5	$4.65	55.6%	16.5%					
Smaller Banks					**Smaller Banks**				
BankUnited	2	$2.10	100%	100%	Ridgewood	4	$13.30	80%	81.6%
Flushing	1	$5.00	100%	100%	NY Comm	2	$0.25	66.7%	1.4%
Astoria	12	$19.00	92.3%	99.5%	Dime	1	$1.00	33.3%	66.7%
Wholesale					**Wholesale**				
Morgan Stanley	12	$96.99	75%	95%	Deutsche Bank	4	$6.98	44.4%	1.9%
Deutsche Bank	26	$52.30	92.9%	84.5%	Goldman Sachs	1	$4.68	16.7%	1.8%
Goldman Sachs	1	$9.60	6.7%	4.8%					

- The number of small business loans increased by 10% in 2014, while the amount loaned declined by 9%. In LMI tracts, the number of loans increased 33% while the dollar loaned was flat. On average, over a third of the loans were in LMI tracts. A larger number of smaller loans is encouraging, given the need for smaller dollar loans, but limited data makes it impossible to tell how many are traditional loans and lines of credit versus credit card loans.

- With a few exceptions, the percentage of community development loans and investments under the economic development category is very small, highlighting the challenges with the category and the opportunity for activity to support quality jobs. 8 of 20 banks reported that none of their community development loans fell under the economic development category. Only 6 reported at or above 25% by volume (five by dollar). The numbers decrease further when factoring in multifamily community lending. Additionally, only 3 of 17 banks reported that over 1% of their CRA-qualified investments went for economic development. Grants were higher, with 10 banks dedicating at or above 25% of dollars to economic development.

TABLE 5

SMALL BUSINESS LENDING (% IN MILLIONS)

Largest Volume Lenders (1500 or more small loans to businesses)							Middle-volume lenders (100-1500 small loans to businesses)						
	Small Bus. Loans (#)	Small Bus. Loans ($)	% of all loans to biz (#)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts		Small Bus. Loans (#)	Small Bus. Loans ($)	% of all loans to biz (#)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts
Capital One	6630	$79.89	40%	2602	39.3%	$26.08	Signature	857	$257	69%	370	43.2%	$107
Bank of Amer.	6445	$103	57.5%	2453	38.1%	$28.57	M&T	83	$19.73	42.1%	28	33.7%	$7.19
Citibank	7693	$81.52	66.3%	2422	31.5%	$23.22	Astoria	68	$2.19	51.9%	22	32.4%	$0.71
HSBC	2051	$139	55.9%	600	29.3%	$35.52	Santander	516	$45.92	56.3%	138	26.7%	$15.33
TD Bank	2190	$58.76	63.2%	631	28.8%	$17.11	NY Comm.	60	$27.55	48.8%	11	18.3%	$7.23
Chase*	613	$65.27	1.3%	175	28.6%	$18.91	Valley Nat'l	101	$40.69	50.8%	13	12.9%	$6.13
Wells Fargo	2194	$72.36	65.8%	568	25.9%	$16.33							
* Chase made 47,044 small loans to businesses, 613 to small businesses. Capital One: 16,587; Bank of America: 11,219, and Citibank: 11,599													

CRA-Eligible Grants/ Philanthropy:

- The amount given in CRA-eligible grants decreased 3.4% ($2.31 million) in 2014 and the number of grants by 2%.Removing one outlier, however, shows that grant dollars increased 12.6% and the number of grants decreased by 4.6%
- The amount of grant dollars going directly to neighborhood-based organizations decreased considerably – down 36% in 2014, with the number of grants flat. But again removing the outlier, the decrease was much more modest – down 1.2% by dollar and 2.6% by volume.
- Both statistics highlight the trend of larger grants to fewer organizations, making it harder for neighborhood-based organizations to have the necessary resources to carry out their missions.

TABLE 6

2014: HIGHEST PERCENTAGES OF GRANTS TO NYC DEPOSITS ($ MILLIONS)

	Grants (#)	Grants ($)	% of Deposits
Largest Banks			
Capital One	297	$7.88	0.033%
Citibank	113	$15.39	0.026%
M&T	138	$0.82	0.026%
Smaller Banks			
NY Community	156	$1.82	0.028%
BankUnited	16	$0.13	0.013%
Popular Comm.	40	$0.29	0.012%
Wholesale Banks			
Morgan Stanley		$6.88	0.031%
Goldman Sachs	140	$12.27	0.019%
Deusche Bank	117	$4.89	0.010%

TABLE 7

2014: HIGHEST PERCENTAGES OF GRANTS TO NEIGHBOR-HOOD–BASED ORGANIZATIONS (NBO) ($ MILLIONS)

	Grants (#)	Grants ($)	NBO Grants (#)	NBO Grants ($)	% to NB (#)	% to NB ($)
Largest Banks						
M&T	138	$0.82	97	$0.53	70.3%	64.3%
Santander	18	$0.18	11	$0.10	61.1%	56.2%
TD Bank	131	$1.56	56	$0.61	42.7%	39.1%
Smaller Banks						
Apple Bank	11	$0.10	9	$0.09	81.8%	93.8%
NY Community	156	$1.82	110	$1.44	70.5%	79.0%
Ridgewood	97	$0.11	78	$0.08	80.4%	77.3%
Carver	11	$0.03	9	$0.02	81.8%	64.2%
Wholesale Banks						
Deutsche Bank	117	$4.89	25	$1.46	21.4%	29.8%
Goldman Sachs	140	$12.27	24	$1.96	17.1%	16%

1-4 Family Lending:

- Home Purchase loans citywide declined by 7.7% from 2013-14, but were up 5.6% from 2012. The decline among lenders in this study was much sharper: down 14% from 2013-14 and 6% from 2012, likely reflecting the decline among the Big 4 banks (Chase, Citibank, Bank of America and Wells Fargo) and HSBC. The Big 4 banks made 50% of all home purchase loans in 2011 and just 45% in 2014.
- Non-CRA covered lenders are increasing their presence; the percentage of loans made by non-CRA covered lenders in the City rose from 23% in 2011 to nearly 30% in 2014.
- Racial disparities persist. 22% of New Yorkers are Black and 29% Latino, yet on average the banks in this study made just 9.6% of home purchase loans to Blacks and 7.3% to Hispanics,

TABLE 8

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

	All (#)	LMI (#)	% LMI
Largest Banks			
M&T	141	55	39%
Capital One	146	33	22.6%
Chase	3268	383	11.7%
Smaller Banks			
Emigrant	50	7	14%
NY Community	73	8	11%
Apple	12	1	16.7%
For banks that originated over 10 loans			

RECOMMENDATIONS

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

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

2. Regulators should do everything in their power to increase the effectiveness of the CRA.

- **Require a CRA Plan** as a condition of every merger and acquisition
- **Modernize the CRA** through the CRA Q&A revision process**.**
- Implement regulatory and procedural changes **recommended during the EGRPRA process.**
- **Improve CRA Exams** through **examiner training;** more **uniformity and disclosure** in performance evaluations; and **increased outreach** at the time of exams and mergers.

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

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

- Banks must make responsible multifamily loans based on realistic incomes and expenses and avoid lending to bad-actor landlords. In cases where banks do lend to such landlords, they should have a concrete plan to protect tenants from harassment and abusive rent increases.
- 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.

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

- **Branches** are an important point of entry for low- and moderate-income people, immigrants, and seniors to open and access accounts and other financial services and loans. Banks need to open and operate branches in underserved low- and moderate-income neighborhoods.
- **Every bank should offer a safe, affordable bank account** targeted towards low- and moderate-income people These accounts would offer low fees and minimum balance requirements, no overdrafts accept alternate forms of ID; and be available to people with prior banking issues. The account should be widely advertised, promoted, and actually used by underserved populations. All banks should accept the IDNYC as primary ID.
- **Banks should be competing to meet the needs of lower-income and immigrant communities** through partnerships with nonprofits and the City, language and cultural competency, variable hours, financial products such as small dollar loans, credit builder products, and remittances.

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

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

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

- **Banks should continue to increase community development loans and investments.** They should also **direct resources to nonprofit and community organizations** that are locally rooted and committed to permanent affordability and long-term improvements in their communities.
- Banks should **support the smaller and most effective nonprofit developers** with targeted affordable products to build and preserve affordable housing and create quality jobs. This includes the following (see community development lending section for more details):
    - **Acquisition and predevelopment costs.** Capital 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 access 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 reconsider this to support proven high-capacity nonprofits.

■ **Banks and regulators must look at the overall impact of the activity** with respect to the quality of jobs created, the quality of housing, and the sustainability of the impact over time. They must ensure that the loan meets the needs of local communities and does not cause harm.

7. Increase CRA activity to promote equitable economic development.

Equitable economic development is about creating the systems and environments to create a stable middle and working-class employment base and workforce that creates a meaningful path to the middle class. This is a summary of recommendations from the economic development section:

■ **Banks** should dedicate more money and resources to equitable economic development, including but not limited to: financing space for manufacturing; loans to small businesses in LMI tracts and owned by LMI, women, and minorities; loans that support projects to create, retain and preserve quality jobs; grants and technical assistance to organizations that support small businesses; targeted workforce development; commercial revitalization.

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

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

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

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

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

■ Nonprofits rely upon grants in good times and bad, and thus banks should make an effort to sustain or increase grant making each year, regardless of deposits or profits.

■ Implement high-performing, strategic philanthropic programs that work closely with the nonprofit sector, are accessible through an RFP, and have intentional goals. Grants to neighborhood-based organizations that provide general operating support and support affordable housing and equitable economic development are particularly impactful.

INTRODUCTION

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

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

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

During the 1960's and 1970's, however, this social compact broke down dramatically as banks withdrew from low-income and minority neighborhoods. And, where banks still had a presence, they refused to make loans to people in those neighborhoods – a practice known as redlining – and reduced investment in urban neighborhoods. One only need to look at photos of the Bronx in the 1970's to see what disinvestment looks like and to understand that readily available, sound lending is critical to a healthy housing market and community. While

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

signs of disinvestment certainly persist today, another threat is over-investment 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 the 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 LMI 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.

The banking world has changed since 1977, and changed most rapidly since the erosion and eventual repeal of the Glass-Steagall Act nearly two decades ago. The banking industry has since undergone massive consolidation, and is increasingly dominated by multi-regional, national, and international institutions. This has challenged the clear premise of the CRA that banks are required to help meet the credit needs of the local communities in which they do business. Simply put, the CRA requires banks to act locally, but report regionally, which makes accurate analysis difficult. Banks are typically evaluated by CRA regulators at the Metropolitan District (MD) level or the Metropolitan Statistical Area (MSA) level and often in multiple areas. New York City is in the White-Plains-NY-NJ MD, which is in the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA; the MSA covers 24 counties in three states, from Ulster and Dutchess counties in upstate New York, down to Monmouth and Ocean Counties in New Jersey. Some banks also get credit for reinvestment at the regional, state, and national level even if they have no direct impact on their assessment area. All banks get CRA credit for loans, investments, and services in their total assessment area and these are rarely broken down by year or by county. 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 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 ANHD's enable us to analyze how banks operating in New York City approach their CRA obligations here. Also, CRA evaluations span multi-year periods, with less frequent exams for small banks. It is important for bank regulators, legislators, community organizations and residents to understand exactly where and how their federally-insured deposits and assets are being reinvested in their community every year. It is in this context that we publish this annual report to examine reinvestment activity in New York City.

ANHD believes that bank reinvestment-related activity – lending, investments and services directed towards low- and moderate-income residents and neighborhoods – should be substantial, and in proportion to each bank's locally-held deposit base. We compare all banks to one another broadly and to their peers as the largest retail banks (over $50 billion in assets), smaller retail banks (fewer than $50 billion in assets) and wholesale banks. For purposes of the CRA, low-income is defined as 50% Area Median Income (AMI) and moderate-income as 80% AMI, and in most cases is based on decennial census data. Starting in 2012, CRA was updated from using the 2000 census data to the 2010 census. The MD was formerly comprised of Bergen, Hudson, Middlesex, Monmouth, Ocean, and Passaic Counties in New Jersey and New York City, Putnam, Rockland and Westchester counties in New York. The 2010 AMI for the full MD was $64,171. However, in 2014, the government changed the MD to remove Putnam County and replace it with Orange County, which raised the AMI to $68,006. As a result, 15% more census tracts in NYC were designated as low-income and 9.5% more as moderate-income, all of which makes year-to-year comparisons difficult.

The census also provides yearly estimated incomes, which are often used to set the income limits for government affordable housing programs. Federal agencies like HUD adjust the AMIs upward to account for the high cost of living. Under the CRA, the AMI was found to be $68,300 in 2012, $66,000 in 2013 and $68,900 in 2014. In 2014, this put low-income at $34,450 and moderate-income at $55,120, very close to the new 2010 data. The AMI for New York City has historically been 70%-80% of the HUD AMI, putting it close to the moderate-income definition. And, of course, the incomes vary greatly from neighborhood to neighborhood.

ANHD looks at the broad spectrum of reinvestment activity. We consider community development reinvestment activities, which are community development loans, CRA-qualified investments and CRA-eligible grants to build and rehabilitate affordable housing, create jobs, and revitalize neighborhoods. We also look at "core CRA lending data" for 1-4 family home purchase and refinance loans to low- and moderate-income borrowers as well as multifamily community development loans and multifamily and small business loans in low- and moderate-income census tracts. This report analyzes year-to-year performance of these activities, as well as deposits, staffing, and branching. We have a new section on past and recent mergers and how we believe regulators should be requiring a CRA plan before approving any mergers or acquisitions.

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.

SUMMARY OF METHODOLOGY

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

The report includes both year-to-year comparisons and analysis of the current year's data. In order to make fair comparisons, only institutions that provided information in both years (2013-14) were included in trending analysis year to year. For this reason, there is some amount of data that banks provided for 2013 or 2014 that is not used for year-over-year analysis since the same information was not provided in the previous year. Appendix A details all information that we received from each institution.

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

While individual indicators are useful in ascertaining a bank's year-over-year record in a certain area over time, ANHD also compares banks to their peers. The banks in this report are classified as 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. When comparing banks to one another, we separate banks by size:

- **Largest banks:** Retail Commercial Banks with more than $50 billion in assets.
- **Smaller banks:** Retail Commercial and Savings Banks with fewer than $50 billion in assets.
- **Wholesale banks:** Commercial banks that are not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect

They provide financial services to other large corporations or governments. For CRA purposes, they are evaluated by more narrowly defined standards.

Overall Reinvestment Volume Index and Quality Score:

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

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

- **Community Development Reinvestment Index:** Community development reinvestment includes loans and investments that finance the construction and rehabilitation of affordable housing; community facilities such as healthcare clinics and community centers; job creation, education, healthcare, and other efforts to revitalize neighborhoods; and grants to support nonprofits that engage in all areas of community development, including building affordable housing and community facilities, running community programs, and advocating for policy change. **The Community Development Reinvestment index** is the sum of the community development lending, CRA-qualified investments, and CRA-eligible grants divided by the locally held deposit base.
- **Core Consumer & Commercial Lending Reinvestment** includes 1-4 family home purchase and refinance loans to low- and moderate-income borrowers; multifamily community development loans; and small business loans (loans below $1 million to businesses with revenues below $1 million) in low- and moderate-income census tracts. The Core Consumer & Commercial Lending Index is the total of these main lending activities divided by the locally held deposit base.

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

Wholesale banks do not receive scores related to branching or core consumer and commercial lending.

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

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

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

PART ONE

MAJOR FINDING #1

RECENT CHANGES IN THE CRA LANDSCAPE

In recent years, legislators and regulators have been exploring and implementing meaningful changes to hold banks more accountable to local communities. In this report, we outline three areas in particular: (1) CRA plans at the time of mergers and acquisitions; (2) recent HMDA changes; and (3) the EGRPRA process that happens every 10 years to review the impact of certain laws and regulations on banks and communities.

Regulators are increasingly requiring CRA plans as conditions of mergers and acquisitions.

After a period of relative quiet in the New York area and much of the country, mergers and acquisitions seem to have picked up again, and there are many indications that they will continue [2,3]. Mergers and acquisitions offer a unique opportunity to raise the bar for community reinvestment and a way to secure more proactive commitments to and a deeper engagement with the local communities the banks serve. Banks receive great financial benefits from such transactions and have an obligation to ensure that the local communities benefit as well. While important in all cases, this is especially important when the transaction leads to fewer banks, less competition, and fewer branches, as most mergers inevitably do.

ANHD has a deep respect for the CRA and the investments it has leveraged for lower-income people and communities. However, much more can be done to increase its effectiveness. For one thing, the CRA is outdated in many respects, as will be discussed in another section. While we appreciate the meaningful changes under consideration to update how banks are evaluated under the CRA, it still won't address all the issues with the law itself. Second, the CRA lacks the enforcement mechanisms to hold banks accountable, especially at the local level. Most banks are evaluated every 2-4 years and are often evaluated over large geographies. In the case of the largest nationally-chartered banks where most people have their accounts, CRA exams are released many years after the exam date, cover very large geographic areas across multiple states, and provide very little data or details on the banks' activities by year, local geographies, or area of reinvestment. In addition, 98% of all banks large and small pass their CRA exams with at least a "satisfactory." The CRA itself has no real consequences for banks that rate below a satisfactory – overall or in individual assessment areas. Mergers and acquisitions are one of the few areas where the CRA is formally taken into account and could have consequences, but with so few banks failing, CRA ratings alone are not enough to hold banks accountable.

Requiring banks to develop CRA plans that are specific to the local areas they serve is a meaningful way to address some of these shortfalls and can help banks demonstrate a strong commitment to the CRA. A plan is most effective when it is developed in consultation and partnership with nonprofit community development practitioners and community organizations. First, such a process helps banks better understand local community needs and receive feedback on how well they have been meeting these needs. Next, it offers a productive process moving forward to to better meet those needs by maintaining and expanding effective strategies; adding new products and resources; and discontinuing or adjusting practices that are not helpful – or worse, harmful.

---

[2] Stewart, J. "Bank M&A Is Poised for Strong Finish in 2015", American Banker, Nov. 2, 2015.
[3] "Bold Banking Predictions for 2016", American Banker, Dec. 16, 2015
[4] NCRC Infographic "How Well are Regulators Evaluating Banks Under the Community Reinvestment Act?" http://www.ncrc.org/images/ncrc%20-%20bank%20evaluations%20full.pdf

Mergers and acquisitions provide a unique opportunity to make this happen. When deciding whether or not to approve a merger or acquisition, regulators typically look only at CRA ratings as a demonstration of a bank's commitment to local communities, but this does not provide a strong enough incentive for banks to improve their CRA record or engage with local communities. And in fact, bank merger laws require more. Regulators are required to consider both the bank's CRA rating and its forward-looking plans to better meet the needs of the communities it serves. The best way to do this is by working collaboratively with local community organizations to create a CRA plan.

While each bank's CRA plan would vary depending on the bank's business model and expertise, and the specific needs of the communities they serve, there are certain commonalities each bank should adopt in developing and finalizing a CRA plan:

- Conduct a comprehensive needs assessment based on public data and conversations with the nonprofit community to identify local needs and potential partners.
- Engage the nonprofit community – developers, service providers, community organizers, and policy organizations – in developing the CRA plan.
- Make the plan public and have it monitored by the bank's regulatory agency(ies).
- Incorporate concrete, measurable goals that are consistent with the local community development needs identified in the needs assessment. The plan must be strategic and intentional, with a strong commitment to nonprofit developers and community based organizations. The plan should follow the best practices outlined in this report, particularly as they align with a bank's business model, including branches and banking products; equitable, affordable 1-4 family lending; responsible multifamily lending; responsible and responsive small business lending and supports; strategic, targeted community development loans, investments and grants; and a local team of knowledgeable, accessible community development staff.

A CRA plan makes the CRA more relevant to the local needs of the communities the banks serve. In fact, bank regulation requires federal and state regulators to evaluate how a proposed transaction (merger or acquisition) will meet the "convenience and needs of the community to be served".[5] We believe that banks should be much more explicit in how they demonstrate this, and regulators should require it through a CRA plan. ANHD believes that **no merger or acquisition should be approved without a CRA plan for all a bank's assessment areas, including new areas that result from the transaction.**

Without strong advocacy by the community, however, this provision is quite often ignored. In fact, the regulators offer an expedited application that allows banks to bypass this forward-looking requirement by simply stating that the transaction will not impede their ability to meet their CRA obligations. Only by submitting formal comments will the application be taken out of that expedited process and given more scrutiny. This is what happened when Valley National applied to acquire 1st United Bank in Florida. The bank was using the expedited application process until ANHD and other community organizations in Washington, DC, New Jersey and Florida submitted comments. After months of advocacy, **the application was approved, but only under the condition that Valley National "comply with all terms and conditions of its CRA Plan"** that they submitted to the Office of the Comptroller of the Currency (OCC).[6] The bank committed to make the plan public and to report regularly on its progress to the OCC. This process ultimately brought Valley National to the table, such that they are now in productive, ongoing dialogue with community development organizations throughout their footprint to develop and market products and make impactful loans and investments in the communities they serve.

---

[5] **12 U.S. Code §1828b** as codified in the FDIC rules: Retrieved from: https://www.fdic.gov/regulations/laws/rules/1000-2000.html **"...In every case, the responsible agency shall take into consideration the financial and managerial resources and future prospects of the existing and proposed institions, the convenience and needs of the community to be served,** and the risk to the stability of the United States banking or financial system."
[6] Valley National-1st United merger decision by OCC, Oct 3, 2014: http://1.usa.gov/1KHEMBT,.

This requirement of a bank CRA plan was an unusual and positive step by the regulators and set an important precedence for subsequent mergers. For example, in 2015, **the OCC approved Sterling National Bank's acquisition of Hudson Valley Bank conditional upon writing a publically available CRA plan that had to be approved and monitored by the OCC.**[7] Later in 2015, the **OCC and Federal Reserve Bank required a CRA plan when they approved the merger of CIT and One West Bank.**[8]

We have seen other prior examples, but not as comprehensive. In 2013, the FDIC approved **Apple Bank's application to acquire 29 branches from Emigrant conditional upon the bank developing an action plan** that addresses the bank's efforts to lend equitably to borrowers of color and in communities of color. While not technically a CRA plan, due to the merger, **M&T has inherited Hudson City's legal obligation under the CFPB and DOJ's consent order** when they were found guilty of redlining and discrimination in their 1-4 family lending.[9] Particularly notable are the specific requirements to redress the damages via a comprehensive credit needs assessment; new mortgage products; affirmative marketing; money for community education and local partnerships; and $25 million in loan subsidies. M&T already takes CRA quite seriously and is using this opportunity to expand its understanding of, and response to, the broader CRA needs in addition to those in the consent order.

In the context of any merger or acquisition that creates advantages for the bank, as all such transactions do, it should not be sufficient for a bank to simply state its general commitment to the CRA in the application and point to the most recent CRA exam rating, as many institutions tend to do. All three federal regulators distinguish between the CRA (backwards looking) and the "convenience and needs" (forward-looking public benefits) factors.

Per FDIC regulations:

> *In assessing the convenience and needs of the community to be served, the FDIC will consider such elements as the extent to which the proposed merger transaction is likely to benefit the general public through higher lending limits, new or expanded services, reduced prices, increased convenience in utilizing the services and facilities of the resulting institution, or other means. The FDIC, as required by the Community Reinvestment Act, will also note and consider each institution's Community Reinvest ment Act performance evaluation record. An unsatisfactory record may form the basis for denial or conditional approval of an application".*[10]

The OCC is even more explicit in one of its manuals:

> *The OCC, by statute, must consider convenience and needs in connection with business combination proposals. The "convenience and needs" factor is distinguished from the CRA requirements in that the convenience and needs analysis is prospective, whereas the CRA requires the OCC to consider the applicant's record of performance...*[11]

The **Federal Reserve Board** has similar regulations, especially when the deal is deemed to lessen competition[12] as most mergers will.

ANHD is closely following two banks that are applying for a merger or acquisition. The first is Goldman Sachs as they seek to acquire an online platform from GE Capital. The second is NY Community Bancorp, which has two

[7] Sterling-Hudson Valley merger decision by OCC, June 26, 2015: http://1.usa.gov/21onGN7.
[8] CIT-One West merger decisions: http://1.usa.gov/1TxdVtB (OCC, July 21, 2015) & http://1.usa.gov/1QB9Khh (FRB, July 19, 2015).
[9] "CFPB and DOJ Order Hudson City Savings Bank to Pay $27 Million to Increase Mortgage Credit Access in Communitie-Illegally Redlined", CFPB Press Release, Sept. 24, 2015.
[10] FDIC Law, Regulations, Related Acts, Statements of Policy – 5000, Merger Transactions, "Convenience and Needs Factor" section (https://www.fdic.gov/regulations/laws/rules/5000-1200.html).
[11] http://www.occ.treas.gov/publications/publications-by-type/licensing-manuals/PublicNCbooklet.pdf "Convenience and Needs" section.
[12] http://www.gpo.gov/fdsys/pkg/CFR-2014-title12-vol3/pdf/CFR-2014-title12-vol3-part225-subjectgroup-id179-subpartB.pdf

applications pending. The first to combine its two subsidiaries – New York Community Bank and New York Commercial Bank – and the second to acquire Astoria Bank.

This trend of requiring CRA plans makes the CRA more effective, helps banks to better plan and understand their reinvestment obligations, and creates more opportunities for to increase reinvestment in local communities. Regulators must continue this trend and raise the bar by requiring a forward-looking, multiyear CRA plan for these and every merger and acquisition.

CRA PLANS BENEFIT THE BANK AND THE COMMUNITY

Regulators are increasingly recognizing the benefit of requiring a CRA plan as a condition of merger and acquisition approvals. This trend makes the CRA more effective by helping banks better understand their reinvestment obligations and engage with the local community to fulfill those obligations through improved practices and increased investments in lower-income and minority communities.

CRA agreements are not new, but they are rarely required and often lack the regulatory structure to hold banks accountable. The OCC set a strong precedence in 2014 when they approved **Valley National's application to acquire 1st United Bank**, but only under the condition that Valley National comply with a CRA Plan that had to be approved by the OCC. The plan is public will be factored into their next CRA exam. In 2015, the OCC and Federal Reserve Board placed similar conditions on two additional mergers: **Sterling National's acquisition of Hudson Valley and CIT's acquisition of One West.**

While it is still too soon to evaluate the impact of Valley National's plan, we believe the plan and process establish many best practices. The goals are explicit, the plan is public, and the bank's performance will be taken into account during its next CRA exam. It also demonstrates how both sides can benefit when a bank and the community work together. The CRA is now an integral part of the bank's activities, with board-level commitment and senior staff overseeing activities. The bank is partnering with local community organizations to better utilize and enhance existing products; develop new products; and increase reinvestment. **Regulators should require CRA plans as a condition of all mergers and acquisitions.**

CRA Modernization through Regulatory Reforms

ANHD has great respect for the CRA and all it has accomplished, but as we've written in this and previous reports, there are areas where it falls short and where it hasn't kept up with changes in the banking world. Given the current political climate, legislative action to address these issues is highly unlikely. Thankfully, there is much the regulators can do under existing laws through rule-making and procedural changes to strengthen the impact of the CRA. Indeed, over the past few years, federal regulators have been taking meaningful steps to do just that. Regulators have been reviewing the CRA Q&A document, which guides regulators and banks in interpreting the CRA. They have also been reviewing a wide variety of regulations pertaining to financial institutions through the EGRPRA process. ANHD has submitted multiple comments on the following areas.[13]

[13]Dulchin, B. "EGRPRA Community Panel for Boston Outreach Meeting", May 4, 2015: http://www.anhd.org/wp-content/uploads/2011/07/ANHD-EGRPRA-talking-points-to-Submit-Post.pdf

Access to Banking: CRA Exams should fully evaluate

- **Branches** opened, closed, operating in LMI communities. Branches are still the primary method of account access among 50% of low-income and senior households.
- **Maintenance fees** and requirements to waive fees. **Other fees,** such as overdrafts, insufficient funds, and penalties. **Transparency** is also critical so consumers clearly understand their options, know what to expect, and can compare products. High and hidden fees are among the primary reason people become and remain unbanked.
- **Access** issues related to minimum amount to open account; identifications accepted; and clear processes to bring people with prior banking issues back into the banking mainstream. **All banks should accept the IDNYC card as primary identification.**
- **Effectiveness:** Simply offering the product is not enough. The exam should evaluate the number of accounts used, opened, and closed by LMI people and in LMI geographies.
- Evaluate how **alternate delivery** models compare, while also evaluating other products, such as money orders, check cashing, prepaid cards, remittances, small dollar loans, secure credit cards, and other credit building products.

Race/Ethnicity: The CRA should never have been color-blind. It came in response to explicit redlining based on the race of the borrowers and communities. CRA exams should explicitly evaluate a bank's record of lending to people of color and in communities of color.

Ratings: It is absurd that 98% of banks "pass" CRA exams with a Satisfactory or Outstanding. A more nuanced rating system is needed. At the very least, there should be more gradation in the current rating by allowing a final rating of "Low Satisfactory" and "High Satisfactory". An outstanding should be much harder to achieve, demonstrating true leadership, well above those of their peers.

Assessment Areas: The banking world has changed – banks are bigger and more complicated and assessment **areas need to be updated to reflect this.** Traditional, limited purpose, and online banks make loans and take deposits outside of a branch network, yet assessment areas remain tied to branches. These include c**redit card lenders, online banks,** and **prepaid debit card issuers.** Assessment areas should reflect where a bank takes deposits, makes loans, and does business.

Affiliates, CEMAs, and Limited Purpose Banks: Bank Holding Companies with multiple CRA-regulated banks; treatment of affiliate lenders; and limited purpose bank evaluations create confusion, duplication, inconsistencies and, in some cases, undermine the fundamental purpose of the CRA. Affiliate lending and CEMAs should no longer be optional to report. Regulators should fully examine the lending record of limited purpose banks, online banks and prepaid card issuers based on where they lend and take deposits. Also, one evaluation for the bank holding company with all its subsidiaries and non-bank affiliates would give a truer analysis of the company's record.

Community Development

- **Economic development:** The CRA must provide incentives for quality jobs, and not perpetuate low-wage jobs. All CRA activities related to jobs and workforce development should be evaluated as to how well they create, retain and improve access to *quality jobs* that benefit LMI people in general, and especially people with multiple barriers to employment. Activities that generate low-wage jobs and jobs with little opportunity for economic mobility, or that lead to displacement of LMI people should not get CRA credit.

- **Community development weight:** While strong, quality community development lending deserves credit, it should not substantially raise the rating of a bank that makes loans inequitably to lower-income borrowers and communities or in way discourage the retail lending that our communties need. <u>In all cases, quality must be taken asseriously as quantity.</u>
- **Small business lending s**hould really be just that – loans to small businesses, rather than loans under $1 million. All banks should be required to report CRA small business data. More crucial details will be made public when the Dodd Frank regulations are fully implemented; CRA should take much of this into account (race of owner; type of business; types of loans provided, etc),

Ready access to meaningful, accurate, timely data is critical to assess a bank and the industry.

- The FFIEC should make public **CRA small business lending** data for each institution at the census tract level and allow cross referencing the size of loan data with revenue size data. Report revenue size of businesses, regardless of whether it was taken into account in underwriting.
- **Make public annual data** on community development loans, investments, and grants originated and purchased, where they were made, and for what purpose. Create **standard tables** across all PE's with annual community development data broken out by location and purpose. .
- **Access to CRA data:** The FFIEC should provide a user-friendly up-to-date interface that links to all CRA-related data: HMDA, small business, community development lending and investments, performance evaluations, exam date, and date of most recent exam if not yet published

Community Participation / Community Input / Process

- **Include ways to comment** and a deadline for accepting comments in the quarterly exam schedule. **Proactively Solicit Community input** from a wide variety of community organizations to solicit feedback on community context and individual bank performance.
- **Performance context:** The performance context should explain the local contexts and opportunities to respond, based on a variety of sources.

Preemption: The nature of banking is itself ever-changing and states and municipalities should have the ability to examine banking activities in their local communities. Banks should not be exempt from Responsible Banking Ordinances and other local laws related to usury caps, access to banking, anti-payday lending laws, and other consumer protections.

Mergers and Acquisitions are one of the few areas where the CRA is officially taken into account. The expedited process should be eliminated – no bank should be able to merge without explicitly outlining the public benefits that will result from the merger, ideally coupled with a formal CRA commitment with the local communities.

1. The Home Mortgage Disclosure Act (HMDA) Final Rule Release

The federal Home Mortgage Disclosure Act (HMDA) created one of the most important tools we have to analyze the home mortgage market. Through HMDA, we can evaluate residential lending to better understand who is, and isn't, getting access to credit and identify patterns of discrimination.

Under HMDA, most lenders must disclose a wide range of information regarding their mortgage lending, such as:

- Loan data: property type (1-4 family, multifamily, manufactured housing), loan purpose (home purchase, refinance, home improvement), property location (census tract, including median income level and

demographics), and if the loan was a "high-cost" or subprime loan.
- Applicant data: race, ethnicity, income, and gender of each applicant and co-applicant

HMDA has enabled communities across the country to identify patterns of discrimination as well as unmet credit needs. This data has successfully been used to hold banks accountable through direct legal actions and through CRA advocacy. However, the law also has limitations that are now being addressed. The Dodd-Frank Act of 2010 stipulated certain improvements and allowed latitude for others. The Consumer Financial Protection Bureau (CFPB) was tasked with writing the new rules, which were finalized in October 2015. ANHD worked with advocates nationwide to call for broad improvements. We are pleased that many of these recommendations made it into the final rules, but some did not.

Wins:

- **New York MECA/CEMA loans are now HMDA-reportable.** Mortgages known as a "MECA" or "CEMA" loan (Consolidation Extension Modification Agreement) are very common in New York to lower mortgage recording taxes, and most often used in lieu of traditional refinance loans. Because CEMAs don't meet the technical definition of refinance loans, they have not been reportable, leading to a vast underreporting of loans, especially larger dollar multifamily loans. The final rules require lenders to report all NY CEMAs used for residential transactions.
- **Improved multifamily data:** HMDA now captures the number of units in the buildings financed and how many units are affordable under a federal, state, or local affordable housing program
- **Additional and expanded data** on home equity loans / lines of credit, reverse mortgages, and manufactured housing.
- **New vital data on underwriting** criteria, such as debt to income ratios, credit score data, and improved disclosure of loan terms and pricing.
- **Improved fair lending data**, such as more detailed information on borrowers' credit score, age, race and ethnicity. The final rule disaggregates several races and ethnicities to better identify disparities within these categories. For example, Hispanic borrowers can identify as Mexican, Puerto Rican, or Cuban. **Asians** can identify as Asian Indian, Chinese, Filipino, Japanese, Korean, or Vietnamese.

Losses:

- HMDA continues to exempt banks that do not make any 1-4 family loans, including high-volume multifamily lenders that don't make 1-4 family loans, only exacerbating the under-reporting of multifamily loans. It also continues to exclude banks under a certain asset size and now uniformly excludes bank and non-bank lenders that make fewer than 25 closed-end loans
- No data on the Language of borrower or of materials presented
- Doesn't directly indicate if the loans are Qualified Mortgages or Qualified Residential Mortgages.
- No pricing or underwriting data for multifamily housing

MAJOR FINDING #2

OVERALL REINVESTMENT VOLUME INDEX AND QUALITY SCORE

Trends:

- **Overall reinvestment increased 21% in 2014 to $12.1 billion.** Community Development Reinvestment increased 17% and Core Consumer & Commercial Lending Reinvestment increased 25%. **$12.1 billion equals 1.22% of the total locally held deposits, down from 1.3% in 2013.** The average reinvestment index among all 25 banks was 5.5% and the median 1.2%. Five banks exceeded 5% of local deposits (down from seven in 2013).
- Eight banks received a quality score above 3 in 2014.

Recommendations:

- **All banks should commit to reinvesting 5% or more of local deposits dedicated to the full range of targeted, strategic reinvestment lending and investments that specifically benefit low- and moderate-income communities.** Banks 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
- **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.

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

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

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

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

Core Consumer and Commercial Lending Reinvestment includes:

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

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

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

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

The Overall Reinvestment Volume Index compares the total amount of reinvestment dollars (core and community development) to local deposits.

TABLE 9
CHANGE IN OVERALL REINVESTMENT 2012-13, 2013-14 ($ BILLIONS)

	2012	2013	Cnt	% chg	2013	2014	Cnt	% chg
Core Consumer & Commercial Lending Reinvestment	$4.65	$5.19	24	11.5%	$5.19	$6.49	21	25%
Community Development Reinvestment	$5.26	$6.13	24	16.5%	$4.77	$5.60	22	17%
Overall Reinvestment Volume	$9.91	$11.32	24	14.2%	$9.96	$12.09	25	21.3%

TABLE 10
CHANGE IN REINVESTMENT BY CATEGORY 2011-12, 2012-13 ($ IN MILLIONS)

	2012	2013	% chg 2012-13	2013	2014	% chg 2013-14
Multifamily Community Development loans	$3,956	$4,474	13.1%	$4,406	$5,916	34.3%
Multifamily Lending in LMI Tracts (for comparison)	$4,947	$6,379	28.9%	$6,379	$6,960	9.1%
1-4 family Home Purchase Loans to LMI borrowers	$215	$207	-3.7%	$207	$177	-14.3%
1-4 family Refinance Loans to LMI borrowers	$234	$176	-24.8%	$176	$72	-59.1%
Small Business lending in LMI tracts	$249	$331	33.1%	$331	$332	0.29%
Community Development Lending	$3,142	$3,665	16.7%	$3,194	$3,192	-0.08%
CRA-Qualified Investments	$2,045	$2,393	17.0%	$1,505	$2,340	55%
CRA-Eligible grants	$73	$71	-2.7%	$68	$66	-3.4%

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

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

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

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

Overall Reinvestment 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 isn't 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 REINVESTMENT QUALITY SCORE (AVERAGE OF THESE THREE INDIVIDUAL SCORES)

Community Development Score	**Core Consumer & Commercial Lending Score (scored where banks made over 10 loans)**	**Service /Responsiveness Score:**
• % Community development loans for affordable housing • %'s Community development loans to nonprofits & to CDC's • % CRA-qualified investments to nonprofits • % CRA-eligible grants to deposits • % CRA-eligible grants to neighbor-hood based organizations • Community responsiveness / innovation score for retail banks	• %'s Home purchase & refinance loans to LMI borrowers • %'s Multifamily and small business loans in LMI tracts • %'s Multifamily Community Development loans	• %'s Branches in low-income and LMI census tracts • % Staffing in New York City • 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.		

TABLE 11
2014 OVERALL REINVESTMENT VOLUME INDEX AND QUALITY SCORE ($ IN MILLIONS)

2014 Reinvestment VOLUME Index										2014 Reinvestment QUALITY Score				
	NYC Deposits (billion)	Total	% chg 2013-14	Total-I	% chg 2013-14	Core	Core-I	CD	CD-I		Core	CD	Svc	Total
Larger Banks														
M&T	$3.21	$540.19	84.4%	**16.8%**	53.2%	$189.33	5.90%	$350.87	10.9%	Capital One	4.40	3.50	3.00	**3.63**
Citibank	$59.27	$1,875	42.1%	**3.16%**	34.9%	$384.93	0.65%	$1,490	2.51%	Chase	3.80	3.00	3.00	**3.27**
Capital One	$24.12	$735.96	5.7%	**3.05%**	0.2%	$501.73	2.08%	$234.23	0.97%	Citibank	2.67	3.17	3.50	**3.11**
Santander	$8.73	$91.46	142.6%	**1.05%**	125.8%	$27.78	0.32%	$63.68	0.73%	M&T	3.00	3.00	2.00	**2.67**
Bank of Amer.	$52.31	$301.52	-20.3%	**0.58%**	-27.6%	$96.19	0.18%	$205.33	0.39%	Bank of Amer.	2.40	2.00	3.00	**2.47**
Wells Fargo*	$15.76	$76.07	-52.7%	**0.48%**	-60.2%	$76.07	0.48%			TD Bank	2.00	3.00	1.50	**2.17**
TD Bank	$15.06	$71.46	-9.3%	**0.47%**	-20.1%	$22.26	0.15%	$49.20	0.33%	Santander	3.00	2.17	1.00	**2.06**
Chase	$420	$1,146	-9.8%	**0.27%**	-17.4%	$332	0.08%	$814.44	0.19%	HSBC	3.67	0.14	2.25	**2.02**
HSBC**	$67.26	$46.20	-88.1%	**0.07%**	-90.6%	$46.20	0.07%			Wells Fargo	1.78	0.14	1.25	**1.06**
Smaller Banks														
NY Comm.	$6.39	$3,667	24.5%	**57.4%**	13.0%	$3,391	53.09%	$276.03	4.32%	Carver	5.00	3.50	4.00	**4.17**
Flushing	$1.19	$216.93	45.1%	**18.2%**	47.4%	$211.93	17.78%	$5.00	0.42%	Popular Comm	4.75	2.83	4.50	**4.03**
Dime	$2.00	$166.08	31.8%	**8.29%**	29.9%	$164.40	8.20%	$1.68	0.08%	Flushing	3.67	2.80	2.75	**3.07**
Signature	$15.10	$1,221	18.5%	**8.09%**	-10.5%	$807.19	5.35%	$414.14	2.74%	NY Comm	3.60	3.00	2.00	**2.87**
Astoria	$3.55	$171.19	-16.2%	**4.83%**	-13.1%	$136.89	3.86%	$34.30	0.97%	BankUnited	2.00	3.50	3.00	**2.83**
Carver	$0.53	$17.59	-61.9%	**3.34%**	-64.4%	$4.61	0.88%	$12.98	2.47%	Ridgewood	3.00	3.00	2.50	**2.83**
BankUnited	$0.97	$25.30		**2.62%**		$9.97	1.03%	$15.33	1.59%	Astoria	2.20	4.00	1.50	**2.57**
Ridgewood	$2.69	$67.89	-37.7%	**2.52%**	-36.5%	$48.24	1.79%	$19.65	0.73%	Dime	2.00	2.50	3.00	**2.50**
Popular Comm	$2.38	$48.47	-24.5%	**2.03%**	-20.7%	$16.25	0.68%	$32.22	1.35%	Signature	3.33	1.38	2.50	**2.40**
Emigrant	$0.87	$10.19	-6.6%	**1.17%**	-9.1%	$10.19	1.17%	$0.00	0.00%	Apple Bank	2.33	1.80	3.00	**2.38**
Valley Nat'l	$1.77	$11.48	-81.4%	**0.65%**	-83.2%	$6.35	0.36%	$5.14	0.29%	Emigrant	3.80	0.14	0.67	**1.54**
Apple Bank	$6.73	$25.16	-77.9%	**0.37%**	-77.8%	$13.66	0.20%	$11.50	0.17%	Valley Nat'l	1.00	1.50	2.00	**1.50**
Wholesale														
Morgan Stanley	$21.87	$260.39	112%	**1.19%**	33.4%			$260.39	1.19%	Deutsche Bank		3.73	4.00	**3.86**
Deutsche Bank	$51.01	$516.40	199%	**1.01%**	77.6%			$516.40	1.01%	Morgan Stanley		2.63	4.00	**3.31**
Goldman Sachs	$64.63	$353.97	37.6%	**0.55%**	39.2%			$353.97	0.55%	Goldman Sachs		1.73	3.00	**2.36**
BNY Mellon	$144	$428.34	64.2%	0.30%	35.7%			$428.34	0.30%	BNY Mellon		0.78	2.00	**1.39**

* Wells Fargo: didn't supply data in 2014. In 2013, Wells Fargo's CD reinvestment was $1,020 million (7.7% local deposits)
** HSBC didn't supply data in 2014. In 2013, HSBC's CD reinvestment was $338 million (0.63% local deposits)

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 got a "0." When looking at overall reinvestment volume, the numbers continued to increase in 2014. In 2013, the increase was rather evenly distributed among core and community development investment, while in 2014 the increases were in multifamily community development lending and CRA-qualified investments. Multifamily loans make up a large percentage of some banks' CRA activity, as is particularly the case in banks like NY Community Bank, Dime, Signature, Flushing, and Astoria. This will become even more pronounced as NY Community Bank acquires Astoria.

In 2014, five banks – M&T, New York Community Bank, Flushing, Dime and Signature – reinvested over 5% of their local deposits. Citibank, Capital One, Carver, and Astoria reinvested over 3% each. Among banks below 5%, the average percentage reinvested was barely 1.5%, similar to previous years.

Capital One continues to stand out for having both a high overall reinvestment volume index and one of the higher reinvestment quality scores. Popular Community Bank has a lower reinvestment volume index, but a high quality score, indicating that it could do more in volume, but the activity it does is done well and equitably. Popular is especially known for its branch presence in and service to lower-income and immigrant neighborhoods; they are one of very few banks that accept the NYC Municipal ID ("IDNYC") as primary identification. Deutsche Bank also stands out for the quality and intentionality of its approach to community development, which is truly sector-leading and has been a standard bearer for decades. The fact that Deutsche Bank's most effective programs have continued for many years demonstrates a strong commitment to community development. Likewise, Goldman Sachs' approach to economic development has moved the field forward, particularly with its support of the industrial sector. We were pleased to see both banks made investments in nonprofits in 2014 after none in 2013. With regards to the wholesale banks, it must be noted that this report evaluates the CRA activities of Morgan Stanley Private Bank, which has a much smaller deposit base than the $96 billion in deposits at the larger wholesale bank, Morgan Stanley, N.A. The Private Bank is located in Westchester and evaluated by its regulators solely in NYC and Westchester, whereas the wholesale bank's assessment area is in Utah. The private bank is evaluated akin to the wholesale banks through the strategic plan option. This typically gives them a higher reinvestment index than their peers, but we recognize that Goldman Sachs, Morgan Stanley, and Deutsche Bank all stand out as taking CRA seriously and each have a meaningful impact on community development in New York City

Chase we note once again has a low reinvestment volume index, primarily because its deposit base is so large — six to eight times those of the next largest retail banks (Bank of America, Citibank, and HSBC). While we recognize that many of those deposits come from businesses outside the City, that is not unique to Chase, and Chase has more branches than all three banks combined, which demonstrates their increased obligation to NYC neighborhoods. We do see that Chase's quality score shows it is making loans relatively equitably to lower-income borrowers and neighborhoods. The majority of its community development loans and investments were for affordable housing and to nonprofits. Chase did not provide data on loans to CDCs or grants to neighborhood-based organizations, which further lowered their quality score, but we know that it a valuable partner to CDC developers. However, we also believe Chase could be taking more of a leadership role in community development, particularly grantmaking; bank products, and home mortgage products.

Overall, few banks perform at the top or the bottom in every category and this more nuanced analysis provides a way to see that breakdown. For example, Bank of America has one of the lower reinvestment volumes in the study and ranks in the middle in terms of quality. While the core consumer and commercial lending score remains below "3", we do see progress in the percentage of home loans made to lower-income borrowers. In recent years, their percentage of community development loans to nonprofits and CDCs have been low, especially compared to prior years. On a positive note, the bank continues to have a good branch presence in lower-income neighborhoods and we appreciate the steps they are taking to make banking more accessible to the people in these neighborhoods.

Of course, no single tool can capture every aspect of good community development. Citibank, for example, has historically ranked lower than its peers because very few of its community development loans and investments go to nonprofits or CDC's and few grants went to neighborhood based organizations. We do note improvement in some areas in 2014, which helped raise their score, but they also benefited from the exclusion of HSBC and Wells Fargo, and the smaller volume of core multifamily lending. In any case, we continue to recognize the bank's leadership in affordable housing – over 90% of their community development dollars in 2014 was for affordable housing. They have also been intentional partners to CDCs in equitable economic development, supporting research and organizing to move the field forward. We have long encouraged the bank to find ways to make more investments with nonprofit organizations and CDC's in particular to ensure that the affordable housing it helps to build and preserve remains permanently affordable. We also recognize the strides Citibank is making in access to banking through their community partnerships, overdraft polices, and bank products. In 2014, Citibank and Bank of America introduced "checkless checking accounts" that do not allow for overdrafts.

Among the smaller banks, NY Community Bank is the biggest multifamily lender in the City, which is clearly reflected in its very high reinvestment index, but its community development reinvestment index is also high relative to its peers. NY Community ranked high in its core lending and lower in community development and service. While part of the service score is due to staff being outside of the City, it is also due to a relatively low percentage of bank branches in low- and moderate-income neighborhoods. The bank does offer affordable banking products. Its drop in community development score is due in part to the fact that they no longer report activity with nonprofits and CDCs. We are pleased that nearly 80% of their grant dollars went to neighborhood-based organizations.

Typically, the smaller and regional retail banks do their affordable housing community development lending through multifamily mortgages. 75% of Ridgewood's multifamily loans were in lower-income neighborhoods and nearly 50% were community development loans in 2014. As in previous years, their score would improve if they made a higher percentage of 1-4 family loans to lower-income borrowers.

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

PART II

DETAILED ANALYSIS OF BANK REINVESTMENT

LOCAL DEPOSITS

Trends

- Local deposits increased 14% in 2014, following a 7.3% increase in 2013, reaching $992 billion. The increase in the outer boroughs (outside Manhattan) was more modest, up 7.8% in 2013 and just 3.6% in 2014.
- The overall trend is positive in that both deposits and reinvestment increased in 2014. However, in 2014, nine banks increased deposits, yet decreased their reinvestment in NYC.

Recommendations

- Banks below 5% of local deposits should take steps to reach or exceed that benchmark. In all cases, reinvestment should increase year over year, and especially so if local deposits increase.
- Some banks far exceed the 5% benchmarks, often because of business models that include larger-dollar commercial loans. They and all banks should ensure that their reinvestment includes meaningful levels of both core and community development reinvestment.

TABLE 12

TRENDS IN DEPOSITS 2012, 2013, AND 2014 (AS OF JUNE 30 OF EACH YEAR) BILLIONS)

	2012		2013		2012-13		2014		2013-14	
	National Deposits	NYC Deposits	National Deposits (BHC)	NYC Deposits	% change National	% change NYC	Nat'l	NYC	% change National	% change NYC
Largest Banks	$3894.36	$563.97	$4156.47	$602.22	6.7%	6.8%	$4156.47	$602.22	7%	10.6%
Smaller Banks	$122.56	$36.74	$124.54	$39.09	1.6%	6.4%	$133.31	$44.17	7%	13%
Wholesale	$272.38	$204.56	$308.53	$228.46	13.3%	11.7%	$388.16	$281.56	25.8%	23.24%
Total	$4289.30	$805.27	$4589.53	$869.77	**7%**	**8%**	**$4968.48**	**$991.92**	**8.3%**	**14%**

Outer boroughs only: Bronx, Brooklyn, Queens, Staten Island					
Deposits (B)	2012	2013	% chg 2012-13	2014	% chg 2013-14
Largest Banks	$68.16	$74.22	8.9%	$76.94	3.7%
Smaller Banks	$21.37	$22.28	4.3%	$23.01	3.3%
Total	$89.53	$96.51	7.8%	$99.94	3.6%

New York City is a major financial center of the world, home to the New York Stock Exchange and Federal Reserve Bank of New York, with many large banks and financial instituti-ons headquartered or operating here. The City has nearly nine million residents, tens of thousands of small businesses, and a broad sector of large businesses. In this context, bank deposits held in New York City remain a strong indicator of bank presence here, and often reflect the many mergers and acquisitions of a consolidating industry. While mergers haD slowed down, they are picking up again.

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 NYC.

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 also dominates the home lending market, accounting for nearly a quarter of all home purchase loans in the City. By our measure, it has a smaller obligation than any of the other "Big Four" banks that have 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 here 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.

TABLE 13

BIGGEST INCREASE IN LOCAL DEPOSITS 20122-13, 2013-14 94 IN BILLIONS)

	All Five Boroughs						Outer Boroughs: Bronx, Brooklyn, Queens, Staten Island				
	2012	2013	% chg 2012-13	2014	% chg 2013-14		2012	2013	% chg 2012-13	2014	% chg 2013-14
Largest Banks											
HSBC	$51.08	$53.28	4.3%	$67.26	26.3%		$6.77	$7.15	5.64%	$5.73	-19.8%
M&T Bank	$2.44	$2.67	9.1%	$3.21	20.4%		$0.31	$0.33	4.24%	$0.35	7%
Wells Fargo	$12.16	$13.26	9.1%	$15.76	18.8%		$0.09	$0.09	-0.31%	$0.09	2.9%
TD Bank	$12.15	$13.28	9.3%	$15.06	13.4%		$5.05	$5.86	16.1%	$6.59	12.5%
Bank of Amer.	$47.73	$47.55	-0.38%	$52.31	10%		$2.50	$2.85	14.1%	$3.22	12.9%
Chase	$357.43	$384.96	7.7%	$420.47	9.2%		$23.62	$26.75	13.3%	$28.98	8.3%
Santander	$7.63	$8.13	6.5%	$8.73	7.4%		$6.56	$6.87	4.6%	$6.90	0.5%
Capital One	$22.19	$22.86	3%	$24.12	5.5%		$8.90	$9.06	1.8%	$9.13	0.8%
Citibank	$51.15	$56.24	9.9%	$59.27	5.4%		$14.36	$15.27	6.3%	$15.94	4.4%
Smaller Banks											
BankUnited*	$0.00	$0.07	from 0	$0.97	1210%		$0.00	$0.00	0%	$0.01	from 0
Signature	$9.65	$11.41	18.2%	$15.10	32.4%		$2.10	$2.48	17.9%	$2.88	16.3%
Valley National	$1.60	$1.60	0.21%	$1.77	10.6%		$0.40	$0.37	-5.4%	$0.45	19.3%
NYCB	$5.24	$5.80	10.6%	$6.39	10.1%		$4.87	$5.40	11%	$5.95	10%
Carver	$0.52	$0.49	-5.6%	$0.53	6.9%		$0.28	$0.28	-0.74%	$0.28	-2.34%
Emigrant	$3.21	$0.85	-73.5%	$0.87	2.6%		$1.38	$0.00	-100%	$0.00	0%
Dime	$1.83	$1.97	8%	$2.00	1.5%		$1.83	$1.97	8%	$2.00	1.5%
Apple**	$4.37	$6.76	54.9%	$6.73	-0.54%		$2.13	$3.53	65.6%	$3.48	-1.4%
Flushing	$1.29	$1.21	-5. 9%	$1.19	-1.5%		$1.18	$1.10	-6.7%	$1.08	-1.7%
Ridgewood	$2.64	$2.74	3.7%	$2.69	-1.8%		$2.51	$2.59	3.4%	$2.56	-1.4%
Astoria	$3.80	$3.68	-3.2%	$3.55	-3.5%		$1.17	$1.16	-0.78%	$1.09	-6.3%
Popular Comm.	$2.64	$2.50	-5%	$2.38	-4.5%		$3.80	$3.68	-3.2%	$3.51	-4.5%
Wholesale Banks											
Deutsche Bank	$23.25	$30.26	30.2%	$51.01	68.5%		Not applicable				
Morgan Stanley	$10.61	$13.74	29.5%	$21.87	59.2%						
BNY Mellon	$91.98	$101.67	10.5%	$125.19	23.1%						
Goldman Sachs	$53.77	$65.38	21.6%	$64.63	-1.2%						

* BankUnited entered the NYC market in 2013 ** Apple acquired all but 2 of Emigrant's branches in 2013

We continue to treat wholesale banks differently because they do not have a traditional branch and deposit structure like the retail banks and thus we use their national deposits for the benchmark. In order to match yearly reporting to the FDIC, we use deposits as of June 30th of each year. Deposits among the major New York City banks continued to increase. Among the now 25 banks in our study this year, deposits went up 14%, from $869.77 billion in 2013 to $991.92 billion in 2014.

It also helps to look at trends outside of Manhattan. Much of the overall deposit increase is driven by Manhattan deposits, especially for the largest banks, as this is where out-of-state business deposits would likely be booked. For example, as HSBC closes offices nationwide, they are booking more deposits in NYC, thus driving the increase in Manhattan. Their deposits increased by 26% citywide in 2014, but decreased 20% in the outer boroughs. On the other side of the spectrum, TD Bank, Chase, and Bank of America increased deposits in and outside of Manhattan in 2014. Wealth has long been concentrated in Manhattan and the income gap between wealthy and poor communities continues to grow. It is imperative that as bank deposits rise citywide, that bank reinvestment rise as well and be distributed equitably so as to address inequities in housing, jobs, wages, and more.

All of the nine largest retail banks with assets over $50 billion increased their locally held deposits. HSBC, M&T, Wells Fargo, TD Bank and Bank of America increased by over 18% in 2014, and the remaining five increased by 5% or more. Collectively, the smaller banks' deposits also increased in 2014, but five banks' deposits decreased, with Popular Community bank decreasing the most by almost 5%. Astoria's deposits have been declining since 2009, and that trend continued into 2014. Apple Bank purchased Emigrant's branch network in 2013, which is reflected in the 2013 numbers - Apple's local deposits increased by 55% in 2013 and over 65% in the outer boroughs, while Emigrant's deposits decreased 74% that year, thus the small decline in 2014 isn't as significant in comparison. BankUnited is new to NYC and to our study; their large increase in deposits is more a reflection of new activity.

This report evaluates the CRA activities of Morgan Stanley Private Bank (MSPB), which has a much smaller deposit base than the larger wholesale bank, Morgan Stanley, N.A., which had $94 billion in deposits as of June 2014. The private bank is in Westchester and evaluated by its regulators in NYC and Westchester County, whereas the wholesale bank is assessed in Utah. The private bank is evaluated akin to a wholesale bank through a strategic plan. Goldman Sachs, Morgan Stanley, and Deutsche Bank all take CRA seriously and each has a meaningful impact on community development in New York City.

This report focuses on bank reinvestment activities, most of which are directly connected to a bank's CRA obligations, thus we chose to focus our profit analysis on net income attributable to the banks, and not those attributable to the other company activities. These other activities would certainly impact the overall profits and losses. Profits attributable to the 25 retail and wholesale banks actually decreased in 2014 by 3.5% after increasing by 20% in 2013. When expanding the analysis to include all the FDIC-insured subsidiaries owned by these bank corporations, profits decreased by 9% in 2014, after increasing by 16% in 2013. In 2014, 13 banks' profit declined. However, these are only profits for the CRA-covered banks and don't reflect activities outside of their banking activities.

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

BRANCHES AND BANK PRODUCTS

Trends

- The net number of branches increased by just 11 branches, but the distribution remains inequitable, with core Manhattan inundated with branches, while lower-income neighborhoods in the Bronx, Brooklyn, and Queens still lack sufficient branches and ATMs.
- Some of the largest banks are improving their overdraft policies with better disclosures and fewer ways to overdraft. However, basic overdraft fees remain close to $35 at most banks, with many also charging monthly maintenance fees that can be difficult to avoid. We are seeing a positive new trend towards "checkless checking accounts" and other products that do not allow for overdrafts. While these accounts still charge $5 - $10 monthly fees, they are much more transparent and customers are much less likely to be surprised by other fees.
- Only 3 banks in this study took the NYC Municipal ID "IDNYC" as primary identification in 2015 to open a bank account.

Recommendations

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

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

To be clear, physical branches remain important as many neighborhoods still lack a branch. Studies show that increasing bank branches has a direct, positive, impact on small business lending and can lead to individual wealth-building through opening savings accounts and establishing credit history. The absence of branches opens the door to predatory businesses such as check cashers .[14] New studies as well show that low-income people of color still rely upon the presence of bank branches – preferably near their home or work – to conduct financial transactions.[15]

---

[14] Silver, J. & Pradhan, A. (2012, April): "Why Branch Closures are Bad for Communities", Issue Brief by the National Community Reinvestment Coalition: http://www.ncrc.org/resources/reports-and-research/item/729-issue-brief-why-branch-closures-are-bad-for-communities

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

From June 2011 to June 2014, just two branches opened in the Bronx and five closed. TD Bank should be commended for opening a branch in a moderate-income area of the Bronx and Chase in a low-income. However, Chase closed three branches, two in LMI tracts, and HSBC closed two branches, leaving further gaps in financial services in an area already lacking sufficient access to banks and even ATMs. And Chase has been closing many more since then, although fewer in LMI tracts.

Among the 21 retail banks, branches increased by 0.77%, from 1,422 in 2013 to 1,433 in 2014. In LMI census tracts, branches increased 14% (406 to 463), but it must be noted that the census boundaries changed in 2014, which accounts for some of the changes here, rather than changes in branch patterns. CRA data for 2012, 2013 and 2014 are based on 2010 census tract definitions, but the new MSA boundaries took effect in 2014 [16] For the New York area, Putnam County was replaced with Orange County causing the 2010 Median Family Income to increase from $64,171 in 2013 to $68,006 in 2014. This classified 15% more census tracts as low-income and 9% more as moderate-income.

The average percentage of branches in low-income tracts went from 7% in 2013 to 9% in 2014 and in LMI tracts from 29% to 33%. 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, 15 of the 21 retail banks met the first benchmark and nine met the second. Only two of the largest national banks met the low-income benchmark: 13% at Chase and 10.5% at Bank of America. Citibank and HSBC now have over 9% in low-income tracts, but HSBC's presence has been diminishing over the years. 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 7.8% of its 141 branches are in low-income tracts.

TABLE 14
HIGHEST PERCENTAGES OF BRANCHES IN LOW AND MODERATE-INCOME (LMI) CENSUS TRACTS (2014)

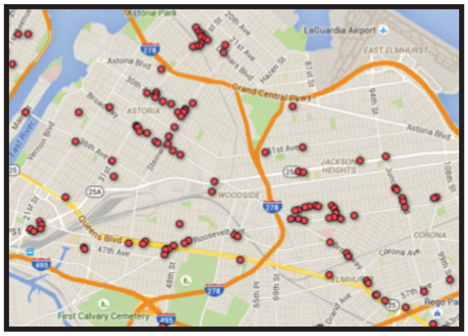
Highest Percentages in LMI Tracts				Highest percentages in low-income tracts			
	# Branches	# LMI	% LMI		# Branches	#LI	% LI
Largest Banks							
Chase	383	134	35%	Chase	383	50	13.1%
Bank of America	115	40	34.8%	Bank of America	115	12	10.4%
Capital One	141	46	32.6%	Citibank	152	14	9.2%
Smaller Banks							
Carver	10	7	70%	Popular Comm.	32	8	25%
Popular Comm.	32	21	65.6%	BankUnited	5	1	20%
Dime	18	9	50%	Flushing	15	3	20%

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. While most banks are maintaining or closing branches, TD Bank continues to open more branches. TD's branch network increased by 12 branches in 2014; four were in moderate-income census tracts. TD Bank opened another 10 in 2015, two of which were in moderate-income tracts (a third was as well, but that is in a midtown census tract with 230 people.)

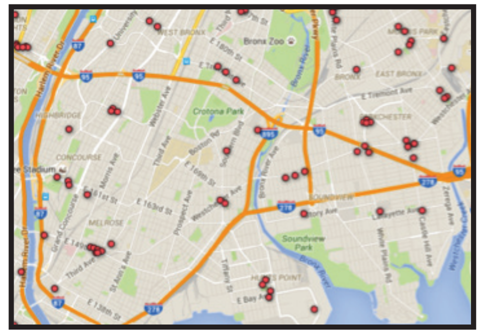
[16] FFIEC "2010 Based Census Information (Years 2012 and Forward): http://www.ffiec.gov/census/htm/2010CensusInfoSheet.htm

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 Streeand 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.

NYC Overall



Northwestern Queens: Astoria, Corna, Jackson Heights, East Elmhurst



South Bronx

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

The most recent 2013 FDIC study of unbanked and under-banked households nationwide shows that one in four households are either unbanked or under-banked and the percentages are much higher for Black and Latino households. A 2013 study by the Urban Institute estimates that in 2013, 360,000 households in New York City were unbanked (11.7% of the population) and 780,000 underbanked, relying solely or partly on fringe banking services like check cashers that charge high fees and do not offer a safe, affordable way to save money and pay bills.[17] The percentage of unbanked households is highest in the Bronx (21.8%) and Brooklyn (12.7%).

Branch presence is important, but that alone is not enough. CRA exams continue to focus almost exclusively on the number of branches in low- and moderate-income communities, with some ancillary discussion of hours of service and types of products offered, but little benchmarking in that area and not much beyond it. Typically, the cost analysis compares a bank's alternative delivery services to its traditional channels, but in many cases, the traditional channels are already too expensive.

People are typically kept out of the banking system because of costs and fees, lack of identification, and previous banking issues reflected in databases like ChexSystem. Thanks to the NY State Attorney General, five banks – Chase, Citibank, Capital One, Santander, and Amalgamated – have committed to changing how they use ChexSystem and his office is looking to expand that number.[18] A few other banks are now evaluating this as well. Regulators must look at the products offered and their impact, including the availability of low-cost bank accounts without high and hidden fees, equal access for immigrants, outreach and flexibility to truly reach unbanked and under-banked people, and finally, how those products are marketed and utilized. We hope the finalized CRA Q&As put more emphasis on the use and effectiveness of branch products just as much, if not more, than alternative delivery systems.

Several recent studies of banking practices, particularly among low- and moderate-income people and people of color, reveal just how far the banking industry has to go to responsibly deliver financial products that meet the needs

[17] Ratcliffe, C. McKernen, S. Kalish, E, Martin, S. (Sept 2015) "Where are the Unbanked and Underbanked in NYC?", issued by the Urban Institute
[18] Smythe, C. "TD Bank, HSBC Asked by New York to Reform Customer Screening", Bloomberg News, Oct. 16, 3015

of these populations. ANHD's *State of Bank Reinvestment in NYC: 2014* report[19] summarized the findings from five studies: The Alliance for Stabilizing our Communities' 2014 report; *Banking in Color: New Findings on Financial Access for Low- to Moderate-Income Communities;* the University Neighborhoods Housing Program's *2014 study Bronx Financial Services Survey Report;* and three Pew Charitable Trusts reports from *2013 and 2014: Checks and Balances* Reports, *Overdrawn: Consumer Experiences with Overdraft,* and *Consumers Continue to Load Up on Prepaid Cards.*

These and similar studies reveal that a significant percentage of NYC households remain **unbanked and under-banked;** about 20% of more vulnerable populations – low-income, unemployed, immigrants and noncitizens, and people of color – are unbanked or under-banked. Banked and unbanked people **still rely upon alternative financial services (AFS)** such as check cashers, prepaid cards, and pawnshops. All studies show that both **access to branches and the cost of banking matter greatly.** High and hidden fees remain a primary consideration for both banked and unbanked people to open and maintain an account. The body of knowledge continues to expand regarding access to banking for immigrants. The Banking in Color survey found that US Citizens were more likely to have a bank account than foreign-born respondents (84% versus 74%). The use of a bank account increased with the number of years in the country up to 40 years, and then dropped down again, likely reflecting challenges immigrant senior citizens face in accessing banking. Hispanics showed similar trends, but overall they had a higher rate of unbanked respondents than other nationalities, regardless of length of time in the country.

In addition to accessing basic banking services, lower-income people and immigrants in these same studies have demonstrated a strong desire to save – many do save. They also seek other financial services, such as remittances, small dollar loans, and financial counseling

A February 2015 study *Bridging the Gap,* published by the Northwest Queens Financial Education Network echoes many of these same findings.[20] The Urban Justice Center designed and analyzed the survey, which was administered by Chhaya CDC, Queens Community House, and New Immigrant Community Empowerment (NICE). Over 250 immigrants in Northwestern Queens were surveyed in multiple languages, predominantly Spanish, Bangla, Nepali, and Tibetan. The study echoed the findings of previous studies regarding the burden of high and hidden fees; the use of alternative financial services; and the fact that immigrants do indeed save and desire to save more. They also found a strong need for both improved language access and increased cultural competency. Speakers of languages like Nepali and Tibetan are unlikely to find bankers that speak their language and even less so to have access to written materials. Also, as in other studies, Spanish speaking immigrants are much more likely to have access to written and spoken services in their language, yet they are persistently more likely to be unbanked and underbanked, which speaks to the need for affordable products and culturally appropriate services. The study also found a lack of identification to be a challenge in opening bank accounts and calls on more banks to accept the IDNYC card as primary identification.

---

[19] Weisberg, J. (2015) *"State of Bank Reinvestment in NYC: 2014"*, Issued by ANHD
[20] Northwest Queens Financial Education Network (2015), *"Bridging the Gap: Overcoming Barriers to Immigrant Financial Empowerment in Northwest Queens"*

ALL BANKS SHOULD ACCEPT THE IDNYC AS PRIMARY IDENTIFICATION

Starting in 2015, New York City began offering the IDNYC, one of the most ambitious municipal ID programs in the country. The card was designed to provide a free government-issued identification card to the many New Yorkers who typically lack access to such identification, including undocumented immigrants and homeless populations. Formal identification is needed for myriad activities, such as entering schools and other government buildings and accessing certain services. Identification is also necessary to access the formal banking system, and avoid dealing in cash and using high-cost alternative financial services such as check cashers, pawnshops, and certain high-cost prepaid cards.

In order for the card to be adopted more broadly, and thus not stigmatize certain populations, the city offered many financial and cultural incentives to encourage all New Yorkers to sign up. In that regards, the program has been a huge success – over 670,000 New Yorkers now have the card. [21] Unfortunately, one of the areas where it has not had the intended impact is in access to banking. Despite advocacy by the City and community organizations, and despite recognition by federal bank regulators that the IDNYC is in fact a legitimate government-issued identification, only four banks (and eight credit unions) currently accept the IDNYC card as primary identification to open a bank account. More accept it as secondary ID, but that is not the main barrier for immigrants to open bank accounts. None of the largest banks in the City (Chase, Bank of America, Citibank, HSBC, TD Bank, or Capital One) accept it as primary – Chase doesn't even accept as secondary. Immigrants without a current passport or a consular ID from their home country are left on the sidelines without access to formal banking services.

DNA Info mapped the bank branches that accept the IDNYC as primary identification and found that certain immigrant neighborhoods like Jackson Heights have few branches accepting the ID, and some like Flushing and the South Bronx have none.[21] ANHD urges all banks to accept the IDNYC as primary identification. It's safe, it's government approved, and it's the right thing to do.

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

The most basic checking products continue to vary among banks in regards to how to open an account, monthly maintenance fees and how those fees can be waived, and additional fees associated with the accounts. New York State law requires all state-chartered banks to offer a "Lifeline Account" which is a very basic checking account

---

[21] Levy, N. "MAP: Here are the Banks that Accept the NYC ID", *DNA Info*, Dec. 22, 2015
[12] FDIC, 2013 FDIC National Survey of Unbanked and Underbanked Households, by Susan Burhouse, Karyen Chu, Ryan Goodstein, Joyce Northwood, Yazmin Osaki, Dhruv Sharma
[13] Ibid (15)

with low monthly fees, no minimum balance and the ability to do some transactions (write checks, withdraw money) for free each month. Many of the state-chartered savings banks offer accounts with no monthly fees. Three non-state-chartered banks, Santander, HSBC, and Valley National, also provide similar lifeline accounts for $3 per month. For a long time, the options at the larger national retail banks had been limited, with few options for working class adults, especially those without access to direct deposit. We are seeing some movement in recent years among these banks that has the potential to make banking more accessible.

In the Bronx, over 30% of all bank branches are Chase where the most basic checking account costs $12 per month, which can only be waived with direct deposit, a monthly average balance of $1,500, or if the customer pays $25 or more in fees (overdrafts cost $34). In fact, the NYC Comptroller surveyed every bank in NYC and found Chase to be one of the most costly accounts in the city, estimating that it would cost a low-income consumer $227 a year to use that account.[25] Chase's prepaid card costs less and, as of November 2015, it operates very much like the checkless checking accounts at some other banks. Chase has demonstrated in the past that half of the new-to-Chase customers that chose the card were previously unbanked or under-banked. They also find that through a positive relationship with the bank, these customers could possibly access a full checking account, but if that same customer cannot meet the minimum balance requirements or access direct deposit, they will be paying $12 a month for basic banking.[26] In addition, Chase continues to take in billions of dollars in overdraft and service fees. As of third quarter 2015, Chase took in $3.4 billion in service fees, of which $1.4 billion were 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 requirement 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's are 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 they cannot afford. The 2008 NYC study of banked and unbanked New Yorkers found 61% of respondents did not have direct deposit. While the percentage has likely increased since then, a 2013 study indicates immigrants are still unlikely to have direct deposit.[27] According to the report, "bankers noted that many immigrants who work in their neighborhoods in the food service or care sectors are often paid in cash and can't use these services." Further, 32% of the immigrants they surveyed were unbanked, which broke down to 57% of Mexican immigrants; 35% of Ecuadorians and 5% of Chinese. Half of the unbanked Mexican and Ecuadorian respondents said they might open an account if their employer offered to pay them via direct deposit.

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 highest amount ($38.50), while most are $34-$35 each. Chase, Wells Fargo, Capital One, Santander, TD Bank and M&T Bank don't charge for overdrafts below $5, HSBC below $10. Some of the smaller banks also follow this practice. 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. According to the Pew Charitable Trust, most Americans prefer their transactions be declined than pay overdraft fees.[28] More of the larger banks

---

[25] Office of the NYC Comptroller (2015) "Take it to the Bank" [26] Wilk, J. "Chase Liquid" presentation, FDIC Advisory Committee on Economic Inclusion (ComE-IN) Meeting, May 13, 2013, https://www.fdic.gov/about/comein/2013/2013-05-16_presentation_wilk.pdf
[17] NYC Office of Financial Empowerment (2013) "Immigrant Financial Services Study" (lead researcher: Barbara Magnoni, President, EA Consulting,) [28] Pew Charitable Trusts (May 2012), *"Overdraft America: Confusion and Concerns about Bank Practices"*

are now clearly disclosing their fees and practices, but that is not the case at the smaller banks in our study. 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 (reordering transactions from highest to lowest increases the chance of multiple overdraft fees). A 2014 study shows disparities in how overdrafts are explained and marketed, often steering low-income people of color into higher-cost options . 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 . Most large banks in our study meet at least three of the four Pew"good practices": 1) limited reordering of transaction 2) no extended overdraft fee; 3) setting a threshold before an overdraft fee occurs; and 4) limited number of overdraft fees per day. Bank of America, Signature and TD Bank adopted two and Santander how has three (up from zero in 2012 and one in 2013). 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. are now clearly disclosing their fees and practices, but that is not the case at the smaller banks in our study. 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 (reordering transactions from highest to lowest increases the chance of multiple overdraft fees). A 2014 study shows disparities in how overdrafts are explained and marketed, often steering low-income people of color into higher-cost options.[29] 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.[30] Most large banks in our study meet at least three of the four Pew "good practices": 1) limited reordering of transactions; 2) no extended overdraft fee; 3) setting a threshold before an overdraft fee occurs; and 4) limited number of overdraft fees per day. Bank of America, Signature and TD Bank adopted two and Santander how has three (up from zero in 2012 and one in 2013). 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.

[29] "How Banks Sell Overdrafts", Aug. 2014, by Woodstock Institute, New Economy Project, California Reinvestment Coalition, Reinvestment Partners
[30] Pew Charitable Trusts (May 2015), *"Checks and Balances, 2015 Update"*

TABLE 15

OVER DRAFT FEES AS REPORTED IN THE 3RD QUARTER 2015 CALL REPORT ($ IN MILLIONS)

	Overdraft income	Full service branches in U.S.	Overdraft per branch ($'s)	Total Service fees	Overdraft as a % of service fees
Largest Banks					
Capital One	$120.26	865	$139,024	$260.97	**46.1%**
TD Bank	$335.46	1303	$257,452	$752.69	**44.6%**
Chase	$1373	5509	$249,229	$3364	**40.81%**
M&T	$88.37	669	$132,096	$250.63	**35.3%**
Santander	$39.06	695	$56,206	$125.22	**31.2%**
Bank of Amer.	$1199	4938	$242,811	$3981	**30.1%**
Wells Fargo	$1194	5491	$217,447	$4181	**28.6%**
Citibank	$82	922	$88,937	$466	**17.6%**
HSBC	$3.36	241	$13,933	$104.58	**3.2%**
Smaller Banks					
Ridgewood	$1.90	34	$55,794	$2.24	**84.8%**
Flushing	$0.30	17	$17,529	$0.72	**41.6%**
Dime	$0.21	25	$8,520	$0.57	**37.5%**
NY Comm.	$5.11	273	$18,719	$14.94	**34.2%**
Popular Comm.	$2.91	91	$31,978	$9.91	**29.4%**
Astoria	$2.62	86	$30,512	$10.76	**24.4%**
Valley National	$2.21	216	$10,245	$13.17	**16.8%**
Apple	$0.86	76	$11,263	$5.48	**15.6%**
BankUnited	$0.53	103	$5,184	$7.37	**7.3%**
Signature	$0.47	38	$12,289	$6.97	**6.7%**

The FFIEC has long published a quarterly "call report" that includes a wide range of key financial data for each bank.[31] Starting in 2015, it includes overdraft fees. As Table 15 shows, the largest banks are taking in tens and hundreds of millions of dollars from overdrafts, often reflecting the impact of their overdraft policies. For example, Citibank and HSBC do not allow standard overdrafts on ATM and debit cards. As such, they reported among the lowest overdraft incomes overall and the smallest percentages of both non-interest income and service fees derived from overdrafts. On the other extreme, TD Bank and Capital One allow customers to opt into overdraft on ATM and point of sale debit card transactions and TD Bank continues to reorder all transactions from high to low, which maximizes the number of overdraft fees per day. Capital One took in $120.3 million in overdraft fees as of third quarter 2015 and has the highest percentage of service charges derived from overdraft at 46%, followed by TD Bank (45% - $335.5 million) and Chase (41% - $1.37 billion).

TD Bank's overdraft policies are designed to maximize fees customers can accrue, as is evidenced in the chart below and by the experiences of two clients of Chhaya CDC in Queens. One, a recent immigrant from Nepal, received a letter showing she had around $300 in overdraft charges from online purchases that took place months earlier. She wasn't aware that she had these charges, or that she had even signed up for overdraft on her account. The second, a Bangladeshi immigrant, came to Chhaya for help building his credit. During the enrollment process, the counselor noticed $595 in overdraft fees charged over a three-month period. The client was unaware of the charges and did not know that he had opted into overdraft. In both cases, the bank only refunded a small portion of the charges and

[31] Call reports retrieved from FFIEC: https://cdr.ffiec.gov/public/

advised the customers to opt out of overdraft and bring the accounts back up to the $100 minimum. Had the bank implemented the best practices recommended, neither would have been in this situation to begin with.

While Ridgewood 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 85%. While we recognize that is partly due to low service fees, they still have one of the highest per-branch amounts as well. Flushing too collected almost half of its service charges from overdrafts, but we note that Flushing's total service charges are nearly the lowest among all banks, second only to Dime. Dime and Flushing collected the lowest amounts of overdraft charges overall and per branch, whereas Ridgewood collected the most per branch.

Recently, we are seeing a new trend of "checkless" checking accounts (online bill pay, but no paper checks) among some of the larger banks. Each of these was first offered in NYC in 2014. 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. Amalgamated too has a similar account.

- 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.

Capital One has also offered its free online "360 account" for a number of years. 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, which puts it out of reach for many, especially senior citizens and others without regular internet access. Also, because a customer must open the account online with a valid social security number, it is not accessible to many immigrant New Yorkers.

Another, less positive trend that has come up in recent years is the transition to more automated branches, which has been most pronounced with Chase. Chase has repurposed many branches by removing teller windows and adding more ATMs. This is proving to be a barrier for certain populations. For example, many senior citizens are more comfortable dealing with a teller. Also, we have seen long lines in crowded immigrant neighborhoods where many need to conduct business with the teller or feel more comfortable doing so. What is more concerning is where these redesigned branches are located. Using branches with 7 or more ATMs as a proxy for the redesigned branches, we found that as of October 2015, 10 of the 13 (77%) redesigned branches in Brooklyn and all 3 in the Bronx were in LMI neighborhoods, as were over 55% of those in Queens. Chase is also finalizing the branch closures related to the Washington Mutual merger, where branches are very close to one another. In some neighborhoods, this could be problematic. For example, Chase closed one of two nearby branches on Junction Blvd in Jackson Heights, but both branches are heavily used and have long lines. And, the sign outside indicates that the remaining branch will be redesigned with more ATMs and fewer tellers. We question how the bank will service the same number of people with fewer branches and fewer staff.

Government, banks, and community organizations have tried a variety of strategies to reach the unbanked and underbanked. Popular Community and Apple offer loans to help people build and repair credit. A number of banks, including Capital One, Citibank, Popular Community, Wells Fargo, Bank of America, Astoria, and Flushing offer secured credit cards as another means to build and repair credit. Popular Community's and Astoria's are the most affordable option ($20 per year versus $29-$39) and Bank of America's is one of the most expensive at $39 per year. They also vary in the terms and fees they charge. 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. Carver, Citibank, Capital One, Ridgewood, and M&T, among others have partnered with the City and nonprofit organizations to make banking available to more New Yorkers.

The State's Banking Development District (BDD) program uses subsidized deposits to encourage banks to open branches and contribute to economic development in underserved neighborhoods. We appreciate the work DFS has done to make the application more robust and hope that leads to more lending and services to benefit the neighborhoods where BDD branches are located.

Other initiatives lower barriers to banking. For example, many banks allow undocumented immigrants to use alternate forms of identifications, such as consular cards, foreign passports, and tax ID numbers, to open an account. However, this is not offered at all banks and, even where it is, we have heard stories of people being turned away because the teller didn't understand the process. This should be universal and fully understood by all branch staff. Also, as banks move towards more online accounts, some require a social security number to do so, which can cut off undocumented immigrants from accessing these accounts. The same may be true for overdraft protections that operate like a credit card. We applaud the City for **introducing the Municipal ID, IDNYC, and encourage banks to remain at the table to ensure it becomes a meaningful way for more immigrants to access mainstream banking.** Currently only four banks in the city – **Carver, Popular Community, Spring Bank, and Amalgamated** – accept it as primary identification. BankUnited accepted it in 2015, but stopped in 2016. We appreciate the many others that accept it as secondary, but primary identification is what is most needed to open a bank account. We are especially disappointed that Chase, the largest bank in the city, does not accept the IDNYC as either primary or secondary ID.

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. The FDIC reported that 95% of all savings accounts and 81% of checking accounts in the pilot program remained open after one year and banks reported that they were no more expensive than their other accounts.[32] Citibank has been an active participant in this successful program. New York City's OFE created the SafeStart program. Capital One offers it at six branches and now M&T Bank, Ridgewood, Carver, and Popular Community Bank offer it at all of their branches. This "starter account" is a savings account with no monthly fees and, because it is not a checking account, no overdrafts. It is also coupled with free financial counseling, allowing people a meaningful way to enter or reenter the banking mainstream in order to begin saving and access other products, such as transactional checking accounts.

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 shouldn't be a niche product. Every New Yorker, and especially immigrants and lower-income residents, should have access to banks and affordable products to safely save money and conduct their day-to-day transactions. These products should be widely available and marketed broadly. It is not enough to merely offer a product, but rather banks must 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 doesn't encompass every recommendation, but gives a sense of which banks are serving more New Yorkers

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

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.[33]

Banking Score

- **Disclosure box** (1 point).
- **6 key Overdraft practices** (1 point each): Can't opt in to ATM overdrafts; Can't 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; 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; No Dormancy or Inactivity Fees.
- **Secured Credit Card / Credit building/ LMI products** (1 point).
- **NYCID:** 1 point Primary ID; ½ point Secondary ID.
- **Partner** (1 point each): Partner with community ; Partner with City.

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

TABLE 16
SUMMARY OF BANK ACCOUNT PRODUCTS /PRACTICES

Bank	fee/mo	Ways to Waive Fees, if possible	Subset of Overdraft Practices on full checking account 2014	Low-cost Account	Products/Partnership/IDNYC	2014 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	**3 of 5:** Unlimited transactions; Min to open ≤$25; no dormancy fee	Chase Liquid **IDNYC 2015: No**	8
	$4.95	Chase Liquid prepaid debit card. Can't waive fee	**No overdraft charges (new late 2015:** allows online bill pay like "checkless" checking accounts)	(new in 2015: meets all 5 criteria)		
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 (new in 2014) 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 <$5; 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**	9.5
	$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	**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	$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	**4 of 7:** Disclosure Box; No Reordering high-to-low; Limit # OD per day; Threshold $5	**3 of 5:** Min to open ≤$25; fee < $5; no dormancy fee	**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; no dormancy fee		
Valley National	$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: No**	6
	$15	Daily balance $99 per month				
Popular Community	$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 **IDNYC 2015: Primary**	11
Signature	$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; Threshold $5 before OD charge**	**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		
NYCB	$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. Starting mid-2015, $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	$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; no dormancy fee	**3 of 5: Unlimited transactions; Min to open ≤$25; $3 - can be waived**	8
Apple	$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	$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	$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**	.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

MULTIFAMILY LENDING

Trends

- After a number of years of increases, multifamily lending declined in 2014 by 20% and by 13% in lower-income neighborhoods. Compared to 2012, the overall lending was flat (up just 0.5%) and increased 8.4% in LMI tracts. Given the strong market overall, the decline among lenders in this study could be related to increased competition from bank and non-bank lenders in NYC.
- While signs of physical and financial distress remain low, the rising rents and sales prices citywide, including in historically more affordable neighborhoods, are troubling and suggest that lower-income tenants everywhere are vulnerable to harassment and displacement.
- Banks and non-bank lenders continue to lend to known bad-actor landlords, including landlords on the Public Advocate's worst landlord list, under investigation by the attorney general, and targeted by tenant organizers working on the ground with low-income tenants

Recommendations

- Regulators must look at the quantity and quality of all multifamily lending, especially loans on private rent-regulated housing for which banks seek CRA credit. They must regularly consult with organized tenants and community organizations as a key source of information to ensure that all loans in LMI tracts, affordable to LMI people, and getting community development credit are in fact providing affordable housing and stabilizing neighborhoods and not harming them.
- Banks must make responsible multifamily loans based on realistic incomes and expenses and avoid lending to bad-actor landlords. In cases where banks do lend to such landlords, they should have a concrete plan to protect tenants from harassment and abusive rent increases.

- 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 pre serving much-needed affordable housing.

New York is a city of renters – nearly two-thirds of New Yorkers rent their homes and the majority live in multi-family apartment buildings. Private rent-regulated housing remains one of the most important sources of private, more affordable housing in the City where median rents are considerably lower than market-rate units and tenant protections much stronger. 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.[34]

Affordable housing is defined by a number of indicators and of course related to how much the tenant earns. Housing is considered affordable when it costs 30% or less of a family's income. Affordable housing programs are typically based on census data. The Department of Housing and Urban Development (HUD) set the Area Median Income (AMI) for the MSA at $83,000 in 2015, but that includes much wealthier suburbs and makes some cost of living adjustments; the FFIEC sets AMI at $68,900. Both figures are higher than incomes for NYC alone, where the median is closer to $53,000; in the Bronx incomes are much lower at just over $34,000 for a family of four. Rent would have to be about $1,325 to be affordable to a family earning $53,000 and $850 for a family earning $34,000.

New York City is losing affordable housing at a rapid pace. A recent report shows that NYC lost over 50,000 rent-regulated units in the past eight years (2007-14).[35] While not all those were affordable, rent-regulated units tend to be more affordable and come with many more protections than un-regulated housing. ANHD estimated that from 2008 to 2011, New York City lost over 116,600 rental units affordable to families earning up to 80% AMI and about 36,400 of rent-regulated housing.[36] Meanwhile, the number of apartments renting with rents $800-$899 declined by over 25% from 2011 to 2014.[37] Certain neighborhoods had very little affordable housing to begin with.

After a number of years of increases, multifamily lending among the lenders in this study declined in 2014 – down 20% by volume (3,688 loans in 2014, 4,607 in 2013) and by 5% by dollar ($16.3 billion in 2014, $17.1 billion in 2013). The picture improves when looking over two years; the overall lending was flat (up just 0.5%) and increased 8.4% in LMI tracts. Given how many tracts were redefined as LMI, however, it is hard to draw too many conclusions. Part of the decline in volume may be due to the decline overall in refinance loans if borrowers had already taken advantage of the historically low interest rates in recent years. However, given the strong market overall, as will be described more below, the decline among lenders in this study could also be due to increased competition from other bank and non-bank lenders in NYC. BankUnited, for example, made 130 loans in 2014, but because it is so new to the market, the bank is not included in the year-to-year comparisons. Other bank lenders have been ramping up as well, such as Investors, Customers, Peapack Gladstone, and People's United.

Access to credit is critical to maintaining the affordable rent-regulated housing in the City, and especially in lower-income neighborhoods where the rents are more affordable. ANHD was formed in the 1970's when the City was suffering the consequences of severe disinvestment, where banks refused to invest in working class neighborhoods and communities of color. One only need see images of the dilapidated, abandoned buildings of that time to understand why we cannot afford to go back to those days.

---

[34] 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.
[35] "Interactive Map Shows NYC's Disappearing Rent-Stabilized Apartments", *the Gothamist,* July 15, 2015
[36] "2012 Community Analysis, How is Affordable Housing threatened in your neighborhood?", published by ANHD
[37] Ibid 34

TABLE 17

MULTIFAMILY LENDING AMONG RETAIL BANKS ($ IN MILLIONS)

	2012	2013	% Chg	cnt	2013	2014	% Chg	cnt
Multifamily Loans (#)	3669	4607	25.6%	20	4607	3688	-20%	20
Multifamily Loans ($)	$12947	$17122	32.3%	20	$17122	$16327	-4.7%	20
... in LMI tracts (#)	1711	2140	25.1%	20	2140	1852	-13.5%	20
... in LMI tracts ($)	$4947	$6379	29%	20	$6379	$6960	9.1%	20
... CD Lending (#)	1056	1198	13.5%	18	1325	1026	-22.6%	18
... CD Lending ($)	$3956	$4325	9.3%	18	$4406	$5916	34.3%	18
2012-13 excludes Flushing – uses CRA exam data 2013-14; BankUnited not in year-to-year as they joined in 2014.								

Equally important to the volume of lending, if not more so, is that the loans are underwritten responsibly. Multifamily lenders must understand the rent-regulation system and how to appropriately underwrite 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. Responsibly underwritten multifamily loans are:

- Based on actual rental income, and not speculative rents that would only be possible if lower-rent paying tenants were moved out and replaced with higher rent paying tenants. If tenants have preferential rents, banks should underwrite to this current rent, and not to the higher registered rent.
- Based on realistic and sustainable management and operating expense budgets.
- Made with a Debt Service Coverage Ratio (DSCR) of at least 1.2, based on real rental income and maintenance expenses. The DSCR is the calculation used to determine if a building owner brings in enough income in rents to meet expenses. A low DSCR likely means the loan was made speculatively and based on false projections of higher rents or lower maintenance costs, indicating that the only way to pay off the loan would be to push out lower rent paying tenants and charge higher rents, or else reduce maintenance costs, leading to poor conditions.
- Made to responsible landlords who are committed to maintaining the buildings in good condition and respecting the rights of the tenants.

Loans that do not meet these criteria open the door to a type of discrimination known as "predatory equity." Unlike the practice of redlining that locked people of color out of the housing market, predatory equity investors make loans in communities of color, but base those loans on highly speculative underwriting, typically with DSCRs below 1.2. 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 [38] These loans were made speculatively, using a business model that depended upon high rates of turnover to quickly raise rents; between 2007 and 2009, incidents of harassment and eviction were rampant. This put pressure on all lenders, including long-standing bank lenders like New York Community Bank, to follow suit in order to compete for business.

In 2008, in the wake of the economic crisis, the underwriting model became financially unsustainable as the real estate market cooled and tenants were educated about their rights by community groups, which also fought to

[38] ANHD (2009), *"Predatory Equity: Evolution of a Crisis"*

strengthen anti-harassment laws. This situation soon led to a crisis as overleveraged buildings faced financial default, which not only increased displacement pressure on tenants but also often led to severely distressed physical conditions. Landlords then faced pressure to choose between making mortgage payments and neglecting basic building maintenance, and many owners frequently opted to disregard needed repairs. The City is still suffering the consequences of bad loans made prior to the financial crisis where some large portfolios are in or near foreclosure, leaving tenants vulnerable to cutbacks in maintenance and repairs, harassment and eviction.

With 55% of all New Yorkers rent-burdened – paying more than 30% of their income on rent – and nearly half of those paying 50% or more of their income on rent, it is imperative that we preserve rent-regulated units – the most important stock of private, unsubsidized affordable housing. According to the newest Housing Vacancy Survey released in February 2015, the median monthly rent was $1,325 (including utilities) in 2014 for rent-regulated units, while it was $1,620 for non-regulated units.

Landlords are limited in how much they can raise the rents in regulated units for existing tenants, bound by the rent guidelines board's vote each year. For leases that begin in October 2015, the board voted on an unprecedented rent freeze for a one-year lease. However, when a tenant vacates, landlords can still raise the rent by 20%, and more if they do certain renovations. Further, through "vacancy decontrol," they can take the unit out of regulation entirely if the rent reaches $2,700 upon vacancy. Especially now with the 1% increase in 2014 and the rent freeze in 2015, the system gives landlords an incentive to try to push out lower-rent paying tenants to more quickly reach that $2,700 mark. Some tactics are very aggressive, as evidenced by Steve Croman who is currently under investigation by the New York State Attorney General's office. "... Schneiderman slapped a "cease and desist" order on one of his employees, ex-NYPD cop Anthony Falconite, a private investigator tenants say has engaged in a campaign of harassment and intimidation to force them out. Numerous tenants say Croman regularly files frivolous lawsuits, blows off repairs and uses every trick in the book to get them out so he can rent units at much higher rates".[39] 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.[40]

Overleveraging as a purposeful business strategy seemed to have slowed down in the years following the 2008 crisis, but there are signs that the practice is returning, particularly as rents rise and competition increases among banks and non-bank lenders. According to an article from March 2014, "Competition to lend for prime properties has only grown, as multifamily has become more challenging to build in Manhattan, given rising land and construction prices ... And the new players still have to compete with insurance companies, investment banks and retail banks. Fewer projects mean that in order to capture market share, commercial and savings banks have become very creative in providing exceptional terms and conditions for financing."[41] Both rents and sales prices have been steadily increasing since 2010, with the price per unit at an all-time high. In the Bronx alone, the average annual price per unit for residential multifamily buildings was at about $78,000 in 2012 and rose to $90,000 in 2013, which is very close to prices just before the crash.[42] Rents continue to rise as well. According to the Furman Center, between 2005 and 2013, the median rent increased by nearly 12 percent, while the median income of renter households increased by only 2.3 percent.[43] A July 2015 Samuel Miller report found that for the first time, the median rent in Queens

[39] Smith, G.,""EXCLUSIVE: Multimillionaire Manhattan landlord probed for possibly using illegal tactics to force out rent-stabilized tenants", *NY Daily News*, July 26, 2014.
[40] New York City Independent Budget Office "How Many Rent-Regulated Units Are Rented at Preferential Rates and Where Are They Located?" by Sarah Stefanski.
[41] Stoler, M. "Multifamily Lenders Scramble for Business", *Commercial Observer*, March 28, 2014
[42] UNHP (2014), presentation from "Multifamily Assistance Center and Building Indicator Project Lender Meeting"
[43] Capperis, S.; De la Roca, J; Ellen, I.E., et alia (2015), State of New York City's Housing and Neighborhoods 2014" published by The Furman Center for Real Estate and Urban Policy at New York University.

surpassed that of Brooklyn, reaching $3,016 in July 2015. Tenants are particularly vulnerable in rapidly gentrifying neighborhoods, such as Crown Heights, Bushwick and Bedford-Styvesant in Brooklyn. All lenders – particularly banks that focus on rent-regulated housing – must ensure that the loans are made responsibly so tenant rights are respected and rents remain affordable.

In 2014, the larger multifamily lenders in this study (NY Community Bank, Chase, Signature, Dime, and Capital One) remained active. According to the Real Deal, in 2014, New York Community Bank, Chase, Signature were the top commercial lenders in the city.[44] They report that, as before, NY Community Bank continues to be more active in multifamily apartment buildings, whereas Chase does a wider variety of deals, including multifamily and construction lending; on average, Chase's loans were smaller than NY Community Bank's. In 2014, as in prior years, NY Community Bank, Signature, and Chase made the highest volumes of loans overall and in lower-income neighborhoods. After reentering the market in 2011 and increasing steadily through 2013, Astoria's volume dropped in 2014 from 438 to 312, but 312 loans was still one of the higher volumes in the city. BankUnited is new to our study and has been ramping up its lending rather quickly. While we only have one year of origination data (130 loans in 2014), we can see the portfolio growth from other sources. Looking at public data, the bank held 212 loans as of January 2015; 260 loans in April 2015; 312 loans in July; and 362 by September.[45]

TABLE 18
MULTIFAMILY LENDING BY BANK ($ MILLIONS)

	2012		2013		2012-13		2014		2013-14	
	# Loans	Amt loaned	# Loans	Amt loaned	% change (#)	% change ($)	# Loans	Amt loaned	% change (#)	% change ($)
Largest Banks										
Bank of America	155	$75.02	165	$106	6.5%	40.7%	100	$63.83	-39.4%	-39.6%
Capital One	386	$861	373	$1135	-3.4%	31.8%	307	$1014	-17.7%	-10.7%
Chase	570	$1435	598	$1736	4.9%	21%	497	$1675	-16.9%	-3.5%
Citibank	9	$34.95	12	$7.60	33.3%	-78.3%	8	$316	-33.3%	4059%
HSBC	6	$88.20	1	$3.70	-83.3%	-95.8%	0	$0.00	-100%	-100%
M&T	80	$971	70	$881	-12.5%	-9.3%	60	$518	-14.3%	-41.2%
Santander	8	$8.06	15	$66.00	87.5%	718.6%	119	$610	693%	824%
TD Bank	11	$33.48	35	$130	218.2%	287.1%	6	$6.82	-82.9%	-94.7%
Wells Fargo	33	$1719	30	$650	-9.1%	-62.2%	35	$1202	16.7%	85%
Smaller Banks										
Apple Bank	46	$122	66	$423	43.5%	248.1%	45	$219	-31.8%	-48.2%
Astoria	412	$1200	438	$1100	6.3%	-8.3%	312	$855	-28.8%	-22.3%
Popular Comm.	32	$52.60	17	$47.57	-46.9%	-9.6%	19	$35.28	11.8%	-25.8%
BankUnited							130	$822		
Emigrant	41	$13.10	55	$17.00	34.2%	29.8%	56	$20.80	1.8%	22.4%
Carver	7	$10.47	14	$15.59	100%	48.9%	9	$11.98	-35.7%	-23.2%
Flushing*	82	$43.23	318	$382	287.8%	783.6%	232	$386.99	-27%	1.3%
NY Community Bank	742	$3201	1139	$5977	53.5%	86.7%	983	$5905	-13.7%	-1.2%
Ridgewood	69	$98.52	124	$277	79.7%	180.8%	72	$132	-41.9%	-52.3%
Signature	609	$2001	699	$2966	14.8%	48.2%	561	$2478	-19.7%	-16.5%
Valley National	58	$134	138	$409	138%	205.5%	49	$188	-64.5%	-54.1%
Dime	313	$846	300	$795	-4.2%	-6%	217	$686	-27.7%	-13.7%
* Flushing: HMDA in 2012 – MSA 2013-14 (from CRA exam)										

[45] Building Indicator Project (BIP) Databases published by UNHP.

Among the larger volume multifamily lenders, Capital One made the highest percentage of loans in lower-income tracts (51%) in 2013; Chase did in 2014 (59%). In 2014, Chase, Santander, Astoria, Flushing, Ridgewood and Signature made over half of their multifamily loans in LMI tracts; Capital One was close at 49%. NY Community Bank's percentage dropped to 41%, down from 46% in 2013 and 51% in 2012. Dime, made just over a third (36%) of its loans in lower-income tracts.

TABLE 19
HIGHEST PERCENTAGES OF MULTIFAMILY LOANS IN LOW- AND MODERATE-INCOME (LMI) TRACTS *

	2014			
	# in LMI tracts	$ in LMI tracts	% LMI tracts (#)	% LMI tracts ($)
Largest Banks				
Chase	293	$892	59%	53.2%
Santander	66	$266.55	55.5%	43.7%
Capital One	152	$484.50	49.5%	47.8%
M&T	21	$249.71	35%	48.2%
Smaller Banks				
Popular Community	15	$23.08	79%	65.4%
Ridgewood	54	$91.40	75%	69.2%
Signature	376	$1279	67%	51.6%
Flushing	143	$238.53	61.6%	61.6%
* Excludes banks making 10 or fewer loans				

We now 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. The numbers offer some insight into which banks focus more on affordable rent-regulated buildings (see table 20). For example, Flushing, NY Community, Ridgewood, and Apple count well over one third of their multifamily loans as community development loans. For Chase, the percentage was 13% in 2013 and 16% in 2014, with the percentage of dollar amounts slightly lower. While Bank of America's volume is low – seven loans (4.2%) in 2013 and 10 loans (10%) in 2014 – the dollar amounts were large, accounting for 70% of the amount they loaned for multifamily housing in 2013 and 85% in 2014. We note that NY Community Bank reported making multifamily loans for a homeless shelter and a section 8 building, both of which serve a critical community development need. However, in practice, most of the bank's multifamily affordable housing loans, as with other high-volume lenders, were for rent-regulated buildings, thus highlighting how critical these banks are to preserving this stock of housing. According to NY Community Bank's 2015 FDIC exam, "Approximately $7.9 billion (93.5 percent) 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."[46] Likewise Signature'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."[47]

The fact that multifamily lending is part of many banks' core business models highlights the need for regulators to ensure that these loans are of the highest quality because there is no legal requirement for this housing stock to remain affordable. The NY State Department of Financial Services (DFS) took an important step with its new regulations finalized in June 2014: **loans that result in a loss of affordable housing or poor conditions will not get Community Development credit on CRA exams.**[48] We were pleased to hear at an

[46] NYCB FDIC CRA Performance Evaluation 2015 https://www5.fdic.gov/crapes/2014/16022_140818.PDF
[47] Signature FDIC CRA Performance Evaluation 2012: https://www5.fdic.gov/crapes/2012/57053_121025.PDF
[48] DFS "Updated Final Guidelines for Bank Lending to Multifamily Properties Under the Community Reinvestment Act", http://www.dfs.ny.gov/legal/industry/il141204.pdf, Dec. 4, 2014

interagency forum on multifamily housing in May 2015 that 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.

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 get their "CRA credit" in other areas and don't 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.

TABLE 20

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

	MF CD Loans (#)	MF CD Loans ($)	% CD (#)	% CD ($)
Largest Banks				
Citibank	8	$316.16	100%	100%
Chase	80	$234	16.1%	14%
Capital One	45	$468.70	14.7%	46.2%
Bank of America	10	$54.41	10%	85.3%
Smaller Banks				
Flushing	136	$211.83	58.6%	54.7%
Popular Comm.	10	$9.28	52.6%	26.3%
Ridgewood	35	$47.20	48.6%	35.8%
NY Community	398	$3381	40.5%	57.3%

Rent-regulated units are likely to be more affordable than are market-rate units; in 2014, the median rent for rent-regulated units was $1,200 versus $1,500 for private, un-regulated units.[49] In addition, rent-regulated units provide tenant protections that go beyond affordability. **Once a unit is taken out of rent-regulation, it never returns.** Predatory lending can result in a permanent loss of affordability and tenant protections. While the best information is first-hand stories from tenants, we have data to identify buildings where conditions and situations might warrant a closer look. One source is the Building Indicator Project (BIP), developed by the University Neighborhood Housing Program (UNHP). The BIP database lists every privately owned residential multifamily building in the City and the lender, owner, and management company on record. Each building receives a "BIP Score," based on a combination of violations, liens, and fines. A BIP score of 800 or more means the building is likely to be in physical and/or financial distress. A second source is the Public Advocate's Worst Landlord list, which identifies landlords that evidence patterns of neglect. 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; as well as ANHD's new speculation mapping project that highlights buildings that are selling for prices higher than the average building in the community district.

When using the BIP database, we analyze recently financed buildings (those financed in the past 10 years). We find it useful to look at both the at-risk buildings and units in a bank's portfolio to get a sense of the number of buildings and people potentially impacted by the building's conditions. A small number of large buildings could impact more people, but a large number of small buildings at-risk could also be problematic for neighborhoods. Table 21 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 22). As of September 2015, among the larger banks, Wells Fargo has the highest percentage of buildings at risk of distress (4.52%), and that drops to 0.5% of units, indicating a larger number of smaller buildings at risk. While Flushing and Signature have among the highest percentages of units likely in distress, that is still only 1% of their portfolios. NY Community Bank has just 9 buildings (0.23% of their portfolio) at risk of distress, with 755 units.

[49] Ibid 34

TABLE 21

HIGHEST PERCENTAGE OF UNITS AT RISK OF PHYSICAL OR FINANCIAL DISTRESS AS INDICATED BY BIP SCORES OVER 800 (SEPT 2015 BIP)

	Total		Buildings with BIP score >= 800			
	# bldgs.	# Res. Units	# bldgs	# Res. Units	# bldgs	# Res. Units
Largest Banks						
Wells Fargo	332	24749	15	4.52%	123	0.50%
HSBC	158	3132	5	3.16%	30	0.96%
Bank of America	163	8437	4	2.45%	244	2.89%
Citibank	127	5828	2	1.57%	121	2.08%
TD	191	5269	3	1.57%	71	1.35%
Smaller Banks						
Popular Comm	150	2419	3	2.00%	21	0.87%
Apple	340	17983	5	1.47%	442	2.46%
Signature	2184	57813	27	1.24%	594	1.03%
Flushing	1431	22120	11	0.77%	230	1.04%
Wholesale Banks						
Deutsche Bank	156	9716	9	5.77%	632	6.50%
BNY Mellon	170	8456	6	3.53%	73	0.86%

TABLE 22

HIGHEST PERCENTAGE OF UNITS AT RISK OF PHYSICAL DISTRESS AS INDICATED BY RATIO OF 4:1 OR MORE VIOLATIONS TO UNITS

	Total		B+C violations to units >=4			
	# bldgs.	# Res. Units	# bldgs	% Bldgs	# Res. Units	% units
Largest Banks						
HSBC	158	3132	24	15.19%	163	5.20%
Wells Fargo	334	24760	43	12.87%	300	1.21%
Citibank	127	5828	9	7.09%	52	0.89%
Chase	2913	74338	138	4.74%	1194	1.61%
TD Bank	192	5292	9	4.69%	109	2.06%
Smaller Banks						
Emigrant	15	120	15	7.46%	120	6.91%
Flushing	96	742	96	6.70%	742	3.35%
Popular Comm	10	91	10	6.67%	91	3.76%
Wholesale Banks						
Deutsche Bank	156	9716	9	5.77%	632	6.50%
BNY Mellon	170	8456	6	3.53%	73	0.86%

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&C violations issued to units. These are violations issued by the City's Department of Housing, Preservation, and Development (HPD) for hazardous conditions in an apartment. As of September 2015, among the lenders in this study, Chase and Signature had the most buildings and units with a ratio of at least 4:1 violations per unit – 138 buildings (4.7%) with 1,194 units (1.6%) at Chase; 133 buildings (6.1%) with 1279 units at Signature (2.2%). Flushing, too, raises concerns; 96 buildings (6.7%) with 742 units (3.4%) had this ratio.

TABLE 23

TOP 20 BANK LENDERS IN BIP (SEPT 2015 DATABASE)

High BIP Scores – score of 800 or higher							High Violations: Ratio of 4 or more B&C violations to unit				
	Total bldgs.	Total Units	BIP >800 bldgs	% bldgs.	BIP>800 units	% Units		B+C:units>=4 bldgs	% bldgs.	B+C: units >=4	% Units
Wells Fargo	334	24760	15	4.49%	123	0.50%	Wells Fargo	43	12.9%	300	1.21%
Investors	1048	18905	18	1.72%	319	1.69%	Flushing	96	6.70%	742	3.35%
Customers	373	9741	6	1.61%	111	1.14%	Signature	133	6.09%	1279	2.21%
Apple Bank	340	17983	5	1.47%	442	2.46%	Investors	56	5.34%	497	2.63%
Capital One	1540	56445	21	1.36%	477	0.85%	Chase	138	4.74%	1194	1.61%
Signature	2184	57813	27	1.24%	594	1.03%	Customers	17	4.56%	162	1.66%
M&T	321	16261	3	0.93%	96	0.59%	Peapack Gladstone	11	4.23%	206	2.45%
Valley National	350	16699	3	0.86%	24	0.14%	People's United	17	4.03%	186	1.43%
Flushing	1432	22128	11	0.77%	230	1.04%	Capital One	49	3.18%	522	0.92%
Santander	1265	64083	8	0.63%	747	1.17%	Valley National	11	3.14%	74	0.44%
Chase	2913	74338	17	0.58%	910	1.22%	Maspeth	9	3.09%	62	2.36%
People's United	422	13008	2	0.47%	15	0.12%	Ridgewood	10	3.09%	108	1.98%
Dime	1464	39595	5	0.34%	63	0.16%	Dime	36	2.46%	351	0.89%
Astoria Bank	1391	49370	4	0.29%	77	0.16%	BankUnited	7	1.94%	73	0.64%
BankUnited	361	11346	1	0.28%	61	0.54%	M&T	6	1.87%	92	0.57%
FNB of Long Island	363	8722	1	0.28%	5	0.06%	Astoria Bank	26	1.87%	213	0.43%
New York Comm.	3854	175842	9	0.23%	755	0.43%	Apple Bank	5	1.47%	52	0.29%
Ridgewood	324	5465	0	0.00%	0	0.00%	FNB of Long Island	5	1.38%	75	0.86%
Maspeth	291	2629	0	0.00%	0	0.00%	Santander	15	1.19%	238	0.37%
Peapack Gladstone	260	8404	0	0.00%	0	0.00%	New York Comm.	33	0.86%	487	0.28%

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 don't know their rights and haven't reported violations to HPD. BIP isn't designed to identify other harmful practices, such as tenant harassment, overleveraging and note sales. Lower BIP scores or violation counts could also indicate that landlords are successfully either harassing tenants out before the building falls into distress or else selling troubled debt to other lenders or servicers. For example, Icon Realty has come up as a particularly problematic landlord – one that is a primary target of tenant organizers, particularly in the lower east side of Manhattan and parts of Brooklyn. Organizers have numerous documented cases of harassment, intimidation, buyouts and evictions in many of these buildings, as well as court cases filed and pending against Icon, yet only two buildings currently have BIP scores over 800 and the remainder are under 500. In 222 E. 12th Street, for example, BIP Scores have been low for many years, but tenant organizers have been witnessing incidents of harassment thorough irresponsible construction and other tactics. The building received 15 Department of Buildings

(DOB) violations within the past year, with Icon accruing nearly $33,000 worth of Environmental Control Board (ECB) fines in that time span. Two DOB stop orders in particular indicated fraud and unnecessary repairs.[50] In addition to all this, tenant organizers found Icon to have targeted some of their rent-regulated tenants on an individual basis, primarily through Housing Court eviction cases — many of questionable merit. Most recently, BankUnited appears to be Icon's go-to-lender. As of September 2015, **BankUnited had 34 Icon buildings in its portfolio, more than any other bank.** Steve Croman is also a primary target, most notorious for his practices of harassment, including the use of an aggressive tenant relocator. This resulted in an investigation by the Attorney General. "*...NY state Attorney General Eric Schneiderman issued a cease-and-desist order against Anthony Falconite, a former New York Police Department officer, who longtime rent-regulated tenants say, has harassed them on Croman's behalf for years.*"[51]

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 November 2015. Signature and New York Community Bank financed the highest number of buildings among the top 10 worst landlords. The top landlord is Ved Parkash who is also a primary target of Stabilizing NYC. As of September 2015, **NY Community bank had 18 Parkash buildings in its portfolio, Signature 16, and Capital One 15. Signature has 13 buildings owned by Moshe Piller, who has eight buildings on the list.**

The Daily news reported on Mr. Parkash in November. *"The worst offender, according to the city officials, is Ved Parkash, who rents out 7,200 units in 11 buildings that have 2,235 Housing Department violations and 134 Buildings Department complaints... Complaints about the city's worst landlords included everything but the kitchen sink — except for an apartment in Brooklyn where there actually is no sink. ... If the tenant there wants to clean up after a meal, there's only the bathtub."*[52] Tenant organizers at CASA have worked in many Parkash buildings, including one building on the list, 1530 Sheridan Ave. They report many problems here, including very severe lack of heat and hot water, as well as peeling paint, leaks, vermin, and defective appliances – something they've seen in all Parkash buildings in which they work. As quoted to a Bronx news channel, *"Richard Tremble, a tenant at 1530 Sheridan Ave., says that when he called to complain, the person who answered hung up the phone. Tremble says his ceiling and walls are decaying, floors peeling and faucets leaking."*[53]

No public data exists to indicate an overleveraged building that hasn't yet fallen into distress, which is one of the most serious threats to 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.

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

[50] "Security guards and Stop Work Orders for Icon Realty-owned East 12th Street building", *EV Grieve*, Sept 18, 2014.
[51] Williams, Z.,"A.G. orders Croman goon to stop harassing rent-regulated tenants", *the Villager*, July 31, 2014.
[52] Marcius, C. & Greene, L."Worst landlords in New York sink to new lows on latest watchlist", *NY Daily News*, Nov 23, 2015.
[53] "Tenants: Worst landlord getting worse", *News 12 The Bronx*, Jan 26, 2016.

foreclosed rent-stabilized buildings or the distressed mortgages on those buildings. In return, ANHD and its members promise an orderly process that is sensitive to the private-market timetable that the banks need.

We know what First Look can accomplish when lenders work collaboratively with 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.

BANKS MUST COMMIT TO RESPONSIBLE MULTIFAMILY LENDING

All multifamily lenders, and especially high-volume lenders, must institutionalize best practices to ensure all loans – especially those on affordable, rent-regulated buildings – are made responsibly, preserve affordable housing, and do not contribute to displacement or harassment.

First, lenders must pay attention to well-established sources that demonstrate signs of distress, such as the Building Indicator Project (BIP) and HPD's distressed asset list. These lists should be consulted when reviewing loans in portfolio and considering future loans.

Banks must also look at risks related to harassment and displacement. No public data exists to indicate an overleveraged building that hasn't yet fallen into distress, which is one of the most serious threats to the more affordable rent-regulated housing. A speculative loan that moves out lower-rent paying tenants and brings in tenants paying higher rents might be in good condition, but ultimately becomes unaffordable to local residents.

This is why it is critical that banks take into consideration additional factors to ensure their current and future portfolios are responsibly managed:

- Ensure that the Debt Service Coverage Ratio is at least 1.2.
- Underwrite to current rents and realistic maintenance calculations, and not speculative. This includes using preferential rents, and not the higher registered rent that a landlord could charge.
- Penalize borrowers for adding additional debt or private equity from other sources that would bring DSCR below 1.2.
- **Avoid making loans to bad-actor landlords.**
    - Some such landlords can be identified by their presence on the **Public Advocate's Worst Landlord List; being under investigation** by government entities such as the Attorney General's office; or appearing in **news stories** highlighting unscrupulous practices.
    - **Regular contact with tenant organizers is a key component of responsible lending.** For one thing, they can provide more details on landlords that show up as potentially problematic. Second, they have ongoing insight into trends that negatively impact tenants and new problem actors and practices that are on the horizon.

Banks should regularly consult tenant organizers, including those at ANHD, ANHD member organizations, and other partners in the new Stabilizing NYC Coalition (SNYC). SNYC has compiled a list of seven problem landlords that have a track record of tenant harassment and displacement throughout the five boroughs; any landlord on that list should raise concerns for lenders, both for their practices and reputational risk. Ved Parkash is one lender who appears on both the SNYC list and the Worst Landlord List. NY Community Bank, Capital One, and Signature each hold a number of Parkash buildings in their portfolios. Other landlords, however, do not exhibit the same typical signs of distress, but are known for their harmful practices. One such landlord is Icon. Tenant organizers have witnessed firsthand the widespread harassment and displacement Icon's tactics have caused, particularly as they renovate vacant units with the intent of bringing in higher- paying tenants. Improper handling of dust, debris, and construction have harmed existing rent-regulated tenants and forced many to move out. BankUnited is one of Icon's primary sources of financing and the bank should be doing everything possible to protect tenants or avoid this borrower entirely.

Banks have a responsibility to lend responsibly and that means taking all possible steps to address problems of harassment and displacement and avoid bad-actor landlords. They have the opportunity to be meaningful partners in the effort to preserve this most important stock of private, more affordable housing in New York City.

TABLE 24
TOP BANK LENDERS IN THIS STUDY FINANCING STABILIZING NYC LANDLORDS

	Ved Parkash		BRG		Coltown		ICON		SMRC		Steve Croman		Alma	
New York Community	18	1277	22	1419	5	230	1	18	2	77	67	1301	49	4072
Capital One	15	806	2	72			8	189	5	371	17	288	2	109
BankUnited			12	309			34	618						
Signature	16	1038			2	52	6	85					19	405
M&T							21	327						
Astoria			2	336			1	8	7	462				
Dime	1	55							1	20	8	134		
Total (bank/non-bank lenders)	**56**	**3562**	**62**	**3578**	**7**	**282**	**76**	**1316**	**45**	**2189**	**125**	**2369**	**118**	**6245**

*** BIP Sept. 2015 database. Banks that financed 10 or more buildings in past 10 years.**

1-4 FAMILY LENDING

Trends

- Home Purchase loans citywide declined by 7.7% from 2013-14, but are up 5.6% from 2012. The decline in lending among lenders in this study was much sharper: down 14% from 2013-14 and 6% from 2012, likely reflecting the decline in lending from the Big 4 banks (Chase, Citibank, Bank of America and Wells Fargo) and HSBC. The share of lending by the Big 4 banks in NYC has been steadily declining, going from 50% of all home purchase loans in 2011 to 45% in 2014.
- Non-CRA covered lenders are increasing their presence nationwide; the percentage of loans made by non-CRA covered lenders in the City rose from 23% in 2011 to nearly 30% in 2014.
- The sharp decline in refinance lending among banks in this study mirrors national trends, as most homeowners had already taken advantage of historically low interest rates.
- Higher cost loans rose sharply in 2014, but that appears to be due to the high mortgage insurance for FHA loans — we expect that number to decline in 2015 as FHA lowers its costs.
- Racial disparities persist. 22% of New Yorkers are Black and 29% Latino, yet on average the banks in this study made just 9.6% of home purchase loans to Blacks and 7.3% to Hispanics.

Recommendations

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

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. 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.

TABLE 25
1-4 FAMILY HOME LOANS AMONG ALL LENDERS IN NYC (HMDA): OWNER-OCCUPIED, FIRST-LIEN LOANS ($ IN MILLIONS)

Home Purchase Loans							Refinance Loans					
All Loans	**2012**	**2013**	**% chg 2012-13**	**2014**	**% chg 2013-14**	**% chg 2012-14**	**2012**	**2013**	**% chg 2012-13**	**2014**	**% chg 2013-14**	**% chg 2012-14**
Total loans (#)	24,693	28,244	14.4%	26,067	-7.7%	5.6%	33,691	27,802	-17.5%	11,131	-60%	-67.0%
Total loans ($)	$11,582	$13,781	19.0%	$13,410	-2.7%	15.8%	$13,450	$11,141	-17.2%	$4821	-56.7%	-64.2%
... to LMI borrowers (#)	2,307	2,317	0.4%	2,173	-6.2%	-5.8%	2,874	2,525	-12.1%	1,388	-45%	-51.7%
... to LMI borrowers ($)	$429.26	$404.88	-5.7%	$375.06	-7.4%	-12.6%	$519.67	$478.29	-8.0%	$262.54	-45.1%	-49.5%
Avg. % to LMI (#)*	9.56%	7.52%	-21.3%	7.19%	-4.4%	-24.8%	10.50%	10.95%	4.2%	12.26%	12%	16.8%
Avg. % to LMI ($)	5.32%	4.28%	-19.5%	3.68%	-14%	-30.8%	7.16%	7.57%	5.8%	7.82%	3.3%	9.2%
* Total loan #'s / $'s include all lenders, but percentages are averages by lender and only include lenders that made 10 or more loans.												

TABLE 26
1-4 FAMILY HOME LOANS AMONG (21) ANHD RETAIL BANK LENDERS IN NYC (HMDA): OWNER-OCCUPIED, FIRST LIEN LOANS

Home Purchase Loans: 1-4 family, owner-occupied, first-lien								Refinance Loans: 1-4 family, owner-occupied, first-lien						
All Home Purchase Loans	**2011**	**2012**	**% chg 2011-12**	**2013**	**% chg 2012-13**	**2014**	**% chg 2013-14**	**2011**	**2012**	**% chg**	**2013**	**% chg 2012-13**	**2014**	**% chg 2013-14**
All loans (#)	14841	14470	-2.5%	15831	9.4%	13615	-14.0%	16659	19944	19.7%	14699	-26.3%	4095	-72.1%
Alll loans ($)	$6426.5	$6947.3	8.1%	$7990.6	15%	$7468.8	-6.5%	$6386	$7733	21.1%	$5580	-27.8%	$1810	-67.6%
... to LMI borrowers (#)	1472	1335	-9.3%	1373	2.8%	1184	-13.8%	1541	1614	4.7%	1216	-24.7%	494	-59.4%
... to LMI borrowers ($)	$217.15	$214.98	-1%	$206.93	-3.7%	$177.31	-14.3%	$221.28	$233.93	5.7%	$175.84	-24.8%	$72.00	-59.1%
% to LMI (#)*	12.01%	10.84%	-9.8%	10.24%	-5.5%	10.81%	5.5%	10.66%	10.74%	0.7%	9.65%	-10.1%	14.30%	48.1%
% to LMI ($)	4.58%	3.83%	-16.2%	4.16%	8.4%	4.62%	11%	5.44%	5.96%	9.5%	5.20%	-12.8%	7.26%	39.8%
* Total loan #'s includes all lenders, but percentages only include lenders that made 10 or more loans														

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

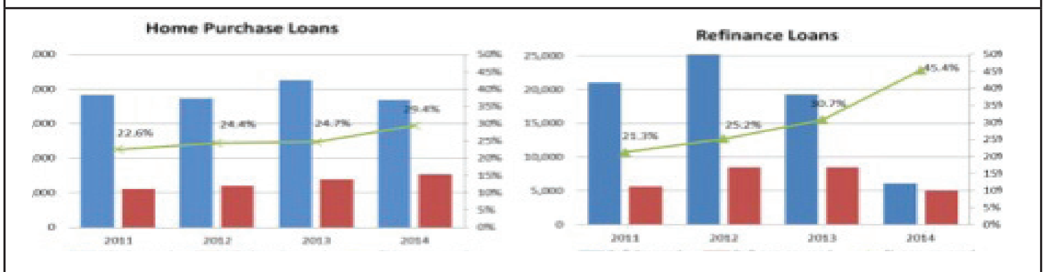
Nationwide, and citywide, home prices have been steadily increasing since mid-2011 and are approaching pre-recession levels, which is especially concerning given how inflated some of the home prices were before the market crashed. This just puts homeownership further out of reach for lower-income New Yorkers. The Federal Reserve Bank of New York reports the price of homes throughout NYC to be higher than they were a year earlier, by at least 7% in all five boroughs, with Brooklyn home prices up over 9% from a year earlier (as of June 2015).[54] According to an industry publication, the average sales price of coops and condos in Manhattan was over $1.8 million in the second quarter 2015, up 11% from a year earlier. The median sales price was $980,000, just shy of the peak of $1.025 million before the housing crisis hit.[55] At the same time, 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

[54] Federal Reserve: http://www.newyorkfed.org/home-price-index/
[55] Samuel Miller 2Q 2015 report http://www.elliman.com/pdf/af842e6daa4258889356007638fbfc3622bc417f

rates likely contributed to the refinance boom nationwide in 2012, but they dropped off sharply in 2013 and continued to decline into 2014. In New York City, HMDA-reportable refinance loans increased over 26% from 2011 to 2012 and then declined 67% from 2012 to 2014 (down 52% to lower-income borrowers). From 2012 to 2014, overall home purchase lending citywide increased by 5.6% (up 14% in 2013, then down 7% in 2014,). However, the number of loans to lower-income borrowers declined by 6%, with most of that decrease happening from 2013 to 2014.

In New York City, 1-4 family lending continues to be dominated by a few large banks, but non-bank lenders are increasing their presence, which is concerning given that they are not covered by the CRA. Independent mortgage companies and credit unions are not covered by the CRA, but credit unions have much smaller share than either banks or non-bank lenders. In 2013, 24.7% of all home purchase loans were originated by non-CRA covered lenders and that increased to 29.4% in 2014. 45.4% of 2014 refinance loans were originated by non-CRA covered lenders. In fact, online lender Quicken Loans originated the most refinance loans in the city in 2014.

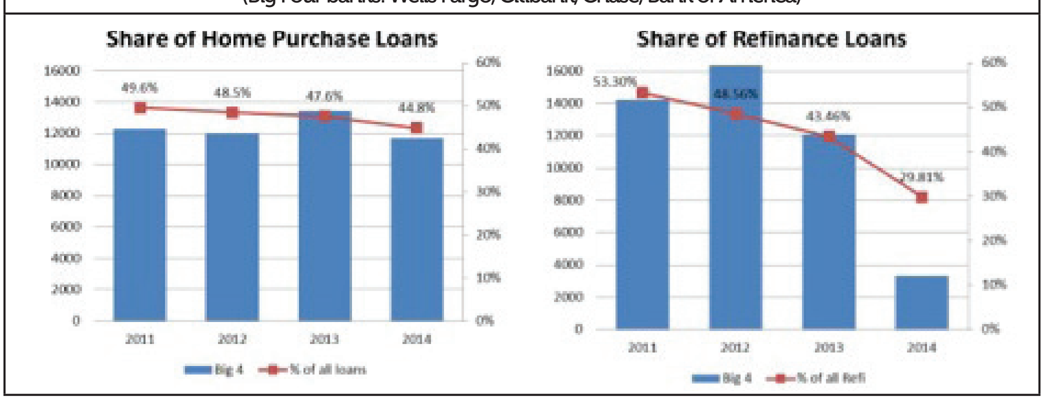
CRA-Covered Versus Non-Covered Lenders in NYC* 1-4 Family, First-Lien, Owner-Occupied Homes 2011-14



* Loans made by non-CRA-covered lenders are mainly by independent mortgage companies, with a small percentage by credit unions

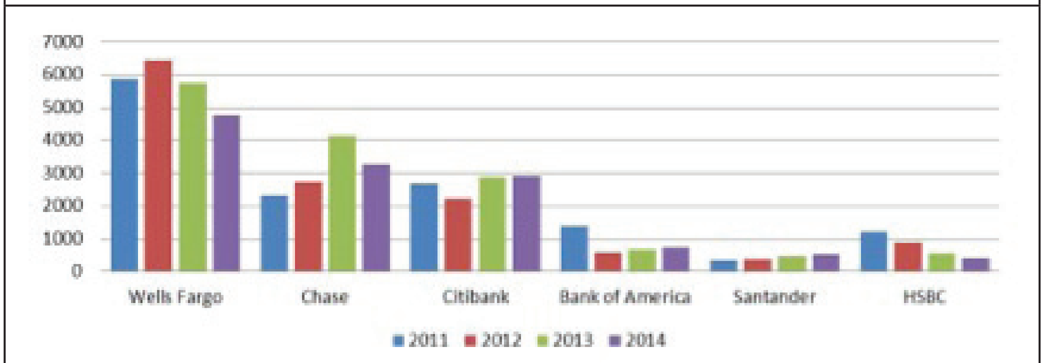
The "Big 4 banks" – Wells Fargo, Citibank, Chase, Bank of America – collectively accounted for about 85% of home purchase loans in our study in 2014 and 45% of all loans in the City. Their share of lending has been declining in NYC and nationwide. Historically HSBC had been among these top lenders in NYC, but their volume has dropped considerably over the years such that Santander surpassed them to be the fifth largest lender in our study with 520 home purchase and 166 refinance loans. While Wells Fargo has only 22 branches in NYC, they have additional mortgage offices and a very large presence in the mortgage market. Wells Fargo made over 20% of all home purchase loans in the City and 14% of all loans to LMI borrowers in 2013 (although that is smaller than their share in 2012 where they made closer to 25% of all loans and 19% of loans to LMI borrowers). Chase has a much larger branch presence than any other bank in the city. In 2013, they made 14.6% of all home purchase loans and 21% of loans to LMI borrowers. In 2014, that dropped to 12.5% of all loans citywide and 17.6% of loans to LMI borrowers.

"Big Four" Banks Share of 1-4 family lending in NYC
(Big Four banks: Wells Fargo, Citibank, Chase, Bank of America)

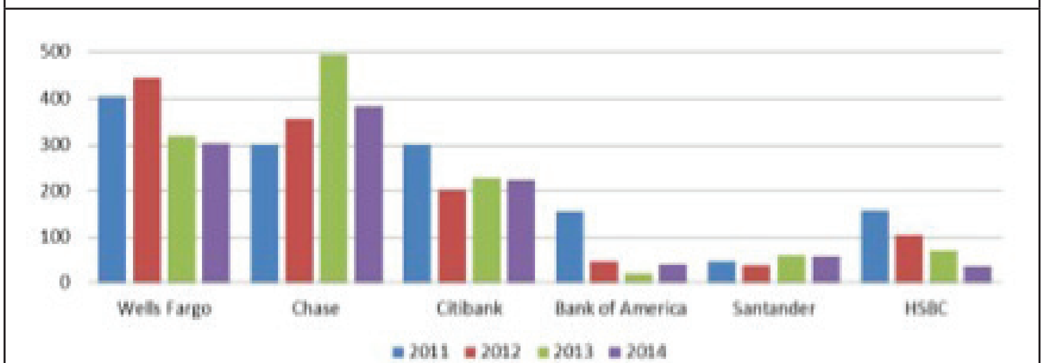


We recognize that some of the smaller banks face unique challenges in competing with the larger national and regional banks, especially since they do not have the branch and office presence or budgets to compete with the larger banks. But, like all banks, they still have an obligation to lend equitably where they do lend. However, we notice that a number of bank lenders are pulling out of 1-4 family lending. Dime discontinued 1-4 family lending in 2015 and BankUnited did in 2016. Apple, Flushing and Signature already make very few loans, concentrating in other areas. While not every bank will engage in every area of CRA, this trend contributes to fewer and fewer CRA-covered bank lenders in the market.

Home Purchase Loans—High Volume Lenders
(1-4 Family, Owner-Occupied, First-Lien)

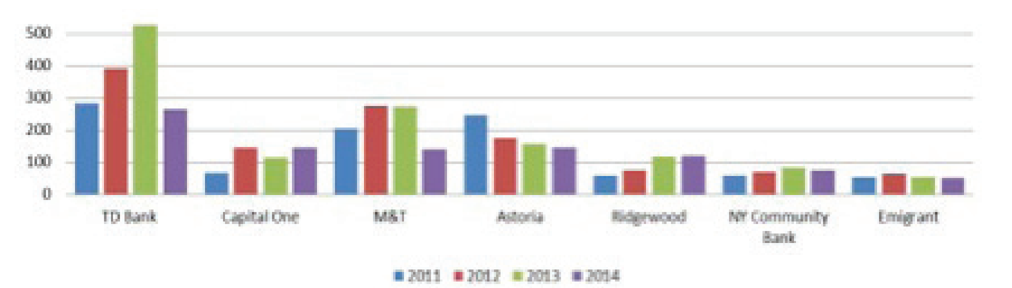


Home Purchase Loans to LMI Borrowers —High-Volume Lenders
(1-4 Family, Owner-Occupied, First-Lien)

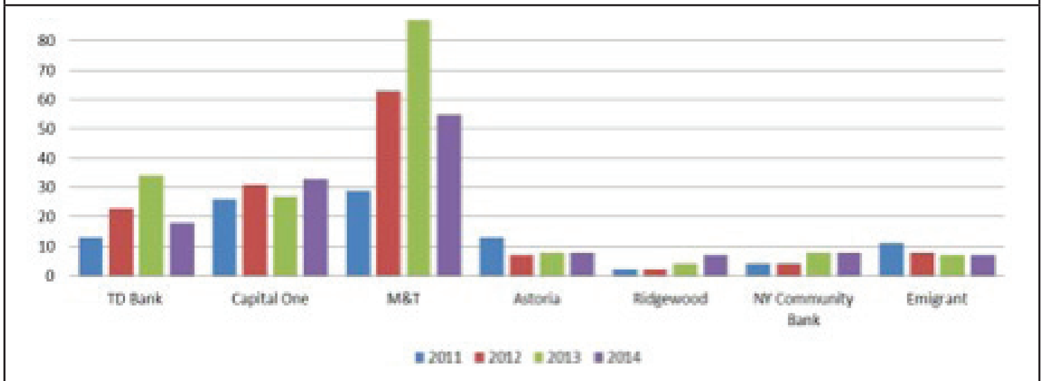


The overall trend among lenders can mask large swings at individual banks. For example, Bank of America and HSBC's home purchase lending had been declining steadily since 2011, but Bank of America increased again in 2014 while HSBC continued to decline. Bank of America cut its home purchase lending in half overall and by 72% to LMI borrowers from 2011 to 2012. While their overall lending increased modestly in 2013, their loans to LMI borrowers decreased by another 60%. In 2014, their loans to both increased. Meanwhile, HSBC has been reducing its lending in all categories, down from 1,212 in 2011 (159 to LMI borrowers) down to 400 in 2014, with only 37 to lower-income borrowers. We do understand HSBC is taking steps to improve their 1-4 family lending and we are eager to see the results of that effort in the coming years. 2013 marked a change in tide as Chase's volume of lending approached that of Wells Fargo and, for the first time in recent years, Chase made the largest number of loans to lower-income borrowers – 495 loans in 2013, versus Wells Fargo's 321 in 2013 and 383 versus 302 in 2014. That being said, Chase's lending declined considerably in 2014 –down 20% overall and to LMI borrowers, likely related to their pulling out of SONYMA, as many ANHD groups feared it might. Citibank's lending declined sharply in 2012, but increased in 2013 and remained fairly steady in 2014.

Home Purchase Loans — Middle Volume Lenders
(1-4 Family, Owner-Occupied, First-Lien)



Home Purchase Loans to LMI Borrowers— Middle Volume Lenders
(1-4 Family, Owner-Occupied, First-Lien)



In the next tier of lenders, TD Bank and M&T had both been increasing their lending over the years, but both declined in 2014 by nearly half. Given how few loans TD had been making to LMI borrowers, the decline down to just 18 loans to LMI borrowers is concerning. M&T's lending declined 50% overall and 40% to LMI borrowers and they continue to make about half of their loans to LMI borrowers, well above any other lender in the City. Capital One's home lending has been largely increasing over the years, with a dip in 2013, but we note that the decline to LMI borrowers that year was much lower than the decline overall and both increased again in 2014.

TABLE 27
TOP % OF LOANS TO LMI BORROWERS: 1-4 FAMILY, OWNER-OCCUPIED, FIRST-LIEN (10 OR MORE LOANS IN 2014)

	2013			2014		
	All (#)	**To LMI (#)**	**%to LMI**	**All (#)**	**To LMI (#)**	**% to LMI**
Largest Banks						
M&T	272	87	32%	141	55	39%
Capital One	113	27	23.9%	146	33	22.6%
Chase	4129	495	12%	3268	383	11.7%
Santander	462	60	13%	540	59	10.9%
Smaller Banks						
Emigrant	53	7	13.2%	50	7	14%
NY Comm.	82	8	9.8%	73	8	11%
Apple Bank	17	1	5.9%	12	1	16.7%

The very low interest rates in 2012 sparked a wave of refinances across the country, including New York City. The refinance volume declined nationwide and in the City in 2013 and again in 2014. Most lenders in our study increased refinance lending in 2012, with a few continuing that trend into 2013 and then dropping in 2014. Bank of

America's refinance lending dropped in 2012, but increased again in 2013, bringing it closer to its 2011 levels of lending. Interestingly, where Bank of America lagged its peers in home purchase lending to lower-income borrowers, its refinance loans to that same population increased the most in 2013, but like most banks, the volume overall and to LMI borrowers declined in 2014. On the other end of the spectrum, HSBC's refinance loans increased in 2012, but decreased by nearly 30% to lower-income borrowers and then made no change in 2013, followed by a decline overall and to LMI borrowers in 2014.

Capital One and Citibank, too, work closely with neighborhood-based organizations to reach LMI borrowers. They each have a well-respected portfolio product targeted to low- and moderate-income borrowers with low down payments and financial assistance. Capital One's Community Homebuyers' Program and Citibank's HomeRun each waive Private Mortgage Insurance (PMI) to lower monthly costs by hundreds of dollars 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 does make the third highest volume of loans to that population. BankUnited's portfolio product looked promising, but never had the desired impact (none of their 27 loans in 2014 were to LMI borrowers) and never will; in 2016, BankUnited announced it would be discontinuing all home lending nationwide.[56] Other banks, including Valley National, Chase, M&T, HSBC, and TD Bank, have portfolio products with more favorable terms, while not necessarily waiving PMI. However, because many of the products listed in this section are available to both LMI borrowers and to any borrower of a home in an LMI census tracts, they aren't necessarily reaching LMI borrowers, thus we must look at the products available and who is using them.

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

Quality home purchase programs for lower-income borrowers should have the following characteristics:

- **Dedicated 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.

- **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, coops are a common source of 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 enables a bank to **waive mortgage insurance** for down payments below 20%. Banks should ensure products extend to coops, including l**imited equity HDFC coops,** another common source of affordable homeownership.

- **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.

[56] Nehamas, N. "BankUnited stops making retail mortgage loans, lays off workers", *Miami Herald*, Jan. 15, 2016.

- **Homebuyer counseling:** Any first-time homebuyer assistance should require pre-purchase counseling and connect potential homebuyers to a qualified provider. In one of the largest studies to date that evaluated 75,000 mortgages originated from 2007 to 2009, NeighborWorks found that borrowers who received pre-purchase counseling were one-third less likely to become 90+ days delinquent over the two years after receiving their loan.[57]

While banks can reach lower-income borrowers in many ways, as evidenced by the portfolio programs mentioned above, there are also existing programs for banks to participate in. For example, banks can register to offer loans insured by the State of New York Mortgage Agency (SONYMA). These first-time homebuyer loans are well-defined with low down payments, pre-purchase counseling, and financial assistance for closing and down payment costs. Many lenders in this study are SONYMA-approved lenders (Apple, Astoria, Citibank, Emigrant, HSBC, M&T, Ridgewood, Santander, and Wells Fargo), but not all are active. In 2014, only Astoria, Citibank, M&T, HSBC, and Wells Fargo made any SONYMA loans, with M&T making the most by far (48 loans) followed by 25 at Wells Fargo, but that is a tiny percentage of their lending citywide. M&T also makes many 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 JPMorgan Chase no longer offer SONYMA loans. Another valuable program is the First Home Club, run by the Federal Home Loan Bank of NY, which offers matching grants for qualified first-time homebuyers who successfully complete a homebuyer class and save with a participating bank. Among the banks in this study, Astoria, HSBC, and M&T Bank are currently listed and known to be active participants. Carver too is listed as a participant, but they are not a major 1-4 family lender at all. Above all, lenders need to be in tune with the incredible diversity of NYC and provide products and staff that can speak to these needs, which can change from block to block, borough to borough. We believe that joining and actively participating in organizations like the New York Mortgage Coalition and Neighborhood Housing Services of New York City is a good way to do this. These organizations train HUD-certified home counselors and work closely with the banks and clients to help 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.

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

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 2014, only 8.36% of home purchase loans in NYC went

---

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

to non-Hispanic Black Borrowers and 8.36% to Hispanic borrowers of any race. On average the banks in this study made just 9% to Black borrowers and 6% to Hispanics in 2013. In 2014, that rose to 9.6% to Blacks and 7.3% to Hispanics. Even those percentages overstate the situation, however, as M&T's percentages to Black borrowers far exceeds the industry and both Capital One and M&T exceed in lending to Hispanics. Asians make up 13% of the New York City Population and the percentage of loans to Asian borrowers tends to exceed that percentage. However, we must note that the Asian population is extremely diverse and the HMDA data doesn't capture this, making it challenging to identify lending disparities within the Asian population. When the new HMDA rules go into effect, we'll have better data on this category.

TABLE 28

RACIAL BREAKDOWN OF 1-4 FAMILY HOME PURCHASE LOANS (2014)

	All (#)	White non-Hispanic		Black non-Hispanic		Asian non-Hispanic		Hispanic		Other non-Hispanic		Race Unknown (non-Hispanic)		Ethnicity unknown	
Largest Banks															
M&T	141	42	29.8%	53	37.6%	22	15.6%	11	7.8%	2	1.4%	11	7.8%	13	9.2%
Capital One	146	58	39.7%	26	17.8%	12	8.2%	22	15.1%	1	0.7%	27	18.5%	25	17.1%
TD Bank	264	133	50.4%	23	8.7%	51	19.3%	24	9.1%	3	1.1%	30	11.4%	25	9.5%
Bank of America	733	406	55.4%	38	5.2%	176	24%	33	4.5%	2	0.3%	78	10.6%	83	11.3%
Santander	540	359	66.5%	25	4.6%	69	12.8%	32	5.9%	8	1.5%	47	8.7%	46	8.5%
Wells Fargo	4773	2976	62.4%	220	4.6%	909	19%	352	7.4%	17	0.4%	299	6.3%	286	6%
Chase	3268	1540	47.1%	146	4.5%	988	30.2%	249	7.6%	14	0.4%	331	10.1%	324	9.9%
Citibank	2906	1264	43.5%	119	4.1%	664	22.9%	166	5.7%	18	0.6%	675	23.2%	648	22.3%
HSBC	400	132	33%	9	2.3%	67	16.8%	10	2.5%	0	0%	182	45.5%	165	41.3%
Largest sub-total	**13171**	**6910**	**47.5%**	**659**	**9.9%**	**2958**	**18.8%**	**899**	**7.3%**	**65**	**0.7%**	**1680**	**15.8%**	**1615**	**15%**
Smaller Banks															
Apple	12	3	25%	4	33.3%	2	16.7%	2	16.7%	0	0%	1	8.3%	1	8.3%
Emigrant	50	39	78%	2	4%	4	8%	2	4%	0	0%	3	6%	3	6%
BankUnited	27	20	74.1%	1	3.7%	4	14.8%	1	3.7%	0	0%	1	3.7%	0	0%
Astoria	146	88	60.3%	3	2.1%	27	18.5%	6	4.1%	0	0%	22	15.1%	23	15.6%
Ridgewood	118	86	72.9%	2	1.7%	18	15.3%	5	4.2%	0	0%	7	5.9%	8	6.8%
NYCB	73	46	63%	1	1.4%	12	16.4%	4	5.5%	0	0%	9	12.3%	9	12.3%
Smaller sub-total	**353**	**236**	**62.1%**	**12**	**9%**	**55**	**14.7%**	**16**	**6.5%**	**0**	**0%**	**34**	**7.8%**	**35**	**7.4%**
Total	**13524**	**7146**	**52.7%**	**671**	**9.6%**	**3013**	**17.3%**	**915**	**7%**	**65**	**0.5%**	**1714**	**12.9%**	**1650**	**12.3%**

Foreclosures

The foreclosure crisis is far from over in New York City and has real economic implications for lower-income people and neighborhoods as well as people and neighborhoods of color. According to the Federal Reserve Bank of NY, as of December 2013 over 11% of homes in some neighborhoods in Queens, the Bronx, and Brooklyn were in foreclosure.[58] The rate of foreclosure in low-income neighborhoods of color also remains high. More recent data shows that in five of the top 10 poorest community districts in the city, the rate of foreclosures per 1000 1-4 family homes is also among the top 10 in the city.[59] In Bronx Community Districts 2 (Hunts Point / Longwood), 3 (Morrisania / Crotona), 4 (Highbridge / s. Concourse), and 6 (Belmont / E. Tremont), as well as Brooklyn Community District 16 (Brownsville), median family incomes range from $23,000 - $36,300 and the rates of foreclosure range from

[58] Federal Reserve Bank of NY Regional Mortgage Conditions: http://www.ny.frb.org/regionalmortgageconditions/.
[59] "2015 Community Analysis, How is Affordable Housing threatened in your neighborhood?", published by ANHD.

46.3 to 54.5 per 1000 homes. Bushwick, East New York, and Jamaica have also been hard hit with rates of 44.5, 45.3, and 45 per 1,000 homes, respectively. The rate of pre-foreclosure notices sent to borrowers who are delinquent by 90 or more days have been declining slightly since 2011, but are still quite high. This is most pronounced in Queens (87.5 per 1000 properties) and Brooklyn (86.3).

When a foreclosure is officially initiated, lenders file a notice called a "lis pendens." Lis pendens have been fluctuating over the years, but remain high, especially in communities of color in Brooklyn, Queens and the Bronx. According to the Furman Center, lis pendens reached a peak in 2009 at nearly 18,000 filings. They decreased to about 12,000 in 2010 and started increasing again, reaching over 16,500 in 2013, and then back down to just over 12,500 in 2014. When removing repeat filings, they found there to be 8,808 new foreclosure filings in 2013 and 6,426 in 2014.[60] While repeat filings could be a sign of renewed distress, it is more likely that they are lenders who have filed again because the three year time limit expired since the initial filing. New York is a "judicial foreclosure state" with some of the strongest pro-consumer foreclosure laws in the nation, requiring advanced notice to homeowners and settlement conferences with lenders that have markedly increased settlement rates and reduced foreclosures. While this means that foreclosures take longer than in other states, the worst delays do not indicate any problem with the law; delays are more often due to servicers dragging their feet or not complying with the law. A few housing counselors working at ANHD member agencies noted that it has become slightly easier to win affordable loan modifications in the past two to three years, attributing it to the constant hard work of advocates, as well as pressure put on the large servicers by the National Mortgage Settlement and subsequent lawsuits, and building relationships with bank staff who can guide homeowners through the process. However, they also note that many servicers continue to give homeowners and their advocates a great deal of runaround: lost paperwork, having to resubmit documents, and in some cases, even after getting a loan modification (trial or permanent), the loan gets sold or assigned elsewhere to different servicer managing the account and they have to start again.

Foreclosures can also result in vacant and abandoned properties. RealtyTrac found that as of the third quarter of 2014, 18% of all active foreclosures (117,298 homes) had been vacated by the homeowners prior to a completed foreclosure.[61] While vacated homes decreased 23% nationwide as compared to the prior year, New York State's rate has gone up 30%. The percentage increased 38% in the greater New York Metro area. Further, they found New York Metro area to have the most owner-vacated foreclosures of any metro area, with 12% of all properties in foreclosure (13,366 homes). One example comes from ANHD member Neighbors Helping Neighbors (NHN), an affiliate of Fifth Avenue Committee: "*Ms. C is a struggling homeowner on Staten Island who is trying to prevent a foreclosure with a loan modification and has been working with a housing counselor at NHN. However, the house attached to hers has been abandoned for years. In its deteriorated state, it is actually threatening to collapse or fall in on her home – a potentially looming financial crisis to add on top of the hardship she's already experiencing. City inspectors condemned the home, citing it as a health hazard, but it is unclear what will happen to the home and who will pay to remove it or prevent it from falling in.*

The CFPB complaint database shows that banks in this study ranked high in the list of mortgage-related complaints in 2014, with Wells Fargo, Bank of America and Chase among the top four.

[60] Ibid.
[61] http://www.realtytrac.com/content/foreclosure-market-report/realtytrac-q3-2014-zombie-foreclosure-report-8176.

TABLE 29

CFPB COMPLAINT DATABASE FOR MORTGAGE-RELATED COMPLAINTS IN NYC

CFPB Complaints for homes likely in foreclosure ("Loan modification, collection, foreclosure" or "Settlement process and costs"										
	2012		2013		2014		2015		2012-15	
Company	All	% Disputed	All	% Disputed	All	% Disputed	All	% Disputed	All	% Disputed
Wells Fargo	90	25.6%	96	19.8%	78	23.1%	60	31.7%	324	24%
Ocwen	47	17.0%	41	29.3%	61	23.0%	39	20.5%	188	22%
Bank of America	126	23.8%	114	25.4%	51	23.5%	31	19.4%	322	24%
JPMorgan Chase	68	22.1%	67	19.4%	47	12.8%	44	13.6%	226	18%
Nationstar Mortgage	6	0.0%	30	16.7%	45	15.6%	26	15.4%	107	15%
Citibank	20	20.0%	38	21.1%	37	27.0%	12	0.0%	107	21%
HSBC	20	35.0%	24	0.0%	21	19.0%	9	11.1%	74	16%
Ditech Financial LLC	5	20.0%	14	14.3%	20	30.0%	9	11.1%	48	21%
Select Portfolio Servicing, Inc	2	0.0%	12	25.0%	14	21.4%	10	10.0%	38	18%
U.S. Bancorp	0	-	5	0.0%	12	25.0%	5	20.0%	22	18%

In February 2015, the ACLU and MFY Legal Services released a report of the CFPB's complaint database, analyzing more details than are publically available on mortgage-related complaints in all of New York State between July 1, 2012, and May 31, 2014.[62] The study found overall disparities in the types of complaints in predominantly white communities (majority white) versus communities of color (50% and 75% of the population were black, Latino or Asian) and hyper-segregated communities (75%-90% people of color). For example, 68% of complaints in hyper-segregated communities were related to issues that put the borrower at immediate risk of losing his or her home, whereas the percentage was 57% in predominantly white communities. Likewise, 36% of complaints from hyper-segregated communities were related to permanent modification denials, versus just 25% in predominantly white communities.

They found banks in this study to be among the top 10 servicers identified in mortgage-related complaints. Bank of America topped the list, accounting for 20% of complaints, followed by Wells Fargo (14%), Chase (10%), Citibank (6%) and HSBC (6%). When looking at the more serious complaints related to actual risk of home loss, Wells Fargo had significantly higher complaint rates in hyper-segregated communities than they did in predominantly white communities. In addition, a 2016 SIGTARP report found significant denials and errors at all the major servicers, leading to the termination of homeowners from the HAMP program.[63] Based on a sampling of homeowners, treasury reported to SIGTARP that six of the seven largest HAMP servicers wrongfully terminated homeowners out of HAMP. They found significant numbers of wrongful terminations among samplings of mortgages serviced by Bank of America, Citibank (CitiMortgage), Chase, and Wells Fargo as recently as the third quarter of 2015; Wells Fargo had wrongful terminations in two prior quarters as well (Q4 2014 and Q1 2015).

It is imperative that banks and government do everything possible to prevent foreclosures and keep people in their homes when they are in or at risk of foreclosure. This will involve a wide variety of strategies including access to counseling, loan modifications and principle reduction; creative use of vacant and abandoned homes; and responsible transfer of foreclosed properties, including note sales, to create affordable homeownership opportunities for lower-income New Yorkers.

[62] https://www.aclu.org/sites/default/files/assets/aclumfy_mortgage_report.pdf
[63] https://www.sigtarp.gov/Audit%20Reports/Homeowners_Wrongfully_Terminated_Out_of_HAMP.pdf

COMMUNITY DEVELOPMENT STAFF

Trends

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

Recommendations

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

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

Community development staff serving New York City was mostly flat, up just three people total, from 346 in 2013 to 349 in 2014. This was due to increases at some banks and decreases at others. The changes came mostly at the larger banks that already had large staff serving NYC. Citibank and Goldman Sachs added people, while Capital One decreased by six people. The number of staff physically in NYC increased by 10%. Chase continues to have the largest team by far with 111 in 2014, 52 of which are in NYC, up from 45 in 2013. Capital One increased the number of staff located in NYC by seven. The smaller banks mostly remained stable, with only Valley National adding a staff person. This is significant given their increased obligation to New York City, which they seem to be taking seriously. On average, 74% of the community development staff serving New York City is located in the City. We are pleased that in general, the majority of the community development staff are located here in the City. While New York Community Bank and Astoria's are not, their staff is mainly in Long Island, which borders the City. We hope that post-merger, NY Community Bank hires additional staff who are located in the City and knowledgeable about the community development needs here. The percentage of staff supporting all CRA-related activity in New York City is slightly lower. Only 10% of Chase's CRA staff is located in the City and 12.5% of Santander's. M&T Bank and Bank of NY Mellon and also have less than half of their CRA staff in the City, but the remaining banks have higher ratios. CRA staff includes people who focus on compliance work, which isn't as necessary as community development staff to be local to NYC.

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

COMMUNITY DEVELOPMENT LOANS AND INVESTMENTS

Trends

- From 2013 to 2014, community development lending was largely flat in 2014, with the number of loans down 18%. CRA-qualified investment dollars increased by 55%, but the number of investments went down 16%. The number of community development loans to nonprofits declined 6%, but the dollar amount increased 17%. Lending to neighborhood-based CDC's dropped sharply in 2014 and remains low as a percentage of community development lending.
- Dollars loaned for affordable housing increased 40% overall in 2014, and by 10% to nonprofit developers, but the number of loans decreased, indicating larger loans to fewer entities. LIHTC investments decreased in 2014.

Recommendations

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

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

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

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

TABLE 30
TOTAL COMMUNITY DEVELOPMENT (CD) LENDING ($ IN MILLIONS)

	2012	2013	% chg 2012-13	Cnt		2013	2014	% chng	Cnt
CD Lending (m)									
CD Lending (# Loans)	490	525	7.1%	21		482	393	-18.5%	20
CD Lending (in $)	$3142	$3665	16.7%	22		$3194	$3192	-0.08%	21
... to Nonprofits (#)	222	169	-23.9%	20		156	147	-5.8%	17
... to Nonprofits ($)	$720.09	$861.32	19.6%	21		$656.94	$770.90	17.4%	18
... to CDC's (#)	67	23	-65.7%	16		22	16	-27.3%	13
... to CDC's ($)	$121.42	$70.27	-42.1%	17		$60.38	$27.33	-54.7%	14
Affordable Hsg Loans (#)	194	145	-25.3%	21		124	118	-4.8%	18
Affordable Hsg Loans ($)	$1805	$1605	-11.1%	22		$1388	$1943	39.9%	19
... to Nonprofits (#)	98	66	-32.7%	20		60	45	-25%	17
... to Nonprofits ($)	$491.44	$531.86	8.2%	21		$485.73	$534.04	10%	18

TABLE 31
TOTAL CRA-QUALIFIED INVESTMENTS ($ IN MILLIONS

CRA-Eligible Investments	2012	2013		Cnt		2013	2014	% chng	Cnt
CRA Qual. Investments (#)	161	221	37.3%	21		155	130	-16.3%	19
CRA Qualified Investments ($)	$2045	$2393	17%	22		$1505	$2340	$2340	20
... to NFPs (#)	29	23	-20.7%	20		20	15	15	16
... to NFPs ($)	$263.07	$74.77	-71.7%	20		$72.97	$110.81	$110.81	16
LIHTC (#)	62	97	56.5%	20		74	38	38	17
LIHTC ($)	$784.12	$1264	61.2%	20		$631.59	$525.03	$525.03	17
NMTC (#)	11	13	18.2%	18		13	6	6	14
NMTC ($)	$108.32	$80.43	-25.8%	18		$80.43	$33.71	-58.1%	14

The number of community development loans decreased in 2014 (down 18% from 482 to 393), while the dollar amount was largely flat, at roughly $3.19 billion each year. Likewise, the total number of CRA-qualified investments declined by 16% (from 155 in 2013 to 130 in 2014), while the dollar amount increased considerably by over 55% (from $1.5 billion to $2.3 billion). However, Wells Fargo and HSBC declined to give us data in 2014, which makes year-to-year comparisons difficult.

Among the retail commercial and savings banks, once again, Chase, Signature, and Citibank dedicated the most amount of money to community development loans, but in 2014, M&T surpassed New York Community Bank, putting them fourth in dollar amount. This isn't too surprising as New York Community Bank does most of its community development lending through its multifamily lending – and most of that in rent-regulated housing, but certainly some were to nonprofits and for permanently affordable housing. They also have some commercial loans that qualify for additional credit, which typically seem to be based on the location of the loan. Thus, in 2014, it appears that fewer commercial, non-multifamily loans, qualified. Wells Fargo and Capital One, too, have loaned large amounts in some years. Chase has by far the largest deposit base and branch network in the city, and does considerable business with the City of New York and many businesses and nonprofits throughout the City. While we do believe this large deposit base gives them a higher obligation to reinvest in New York City than other institutions, it makes it harder to track increases when Chase's activity is such a small percentage of their $420 billion in deposits. Chase's community development loans have been steadily increasing over the years, and its CRA-qualified investments had been going up as well through 2013; they declined in 2014, but $417 million is still one of the largest amounts invested in the city.

TABLE 32
TOTAL COMMUNITY DEVELOPMENT (CD) LENDING ($ IN MILLIONS)

Community Development Loans from 2011 to 2014												
	2011		2012		2013		2014		% change 2013-14		% change 2011-14	
Bank	#	$	#	$	#	$	#	$	#	$	#	$
Largest Banks												
Santander	3	$2.10	4	$3.35	4	$6.75	16	$63.50	300%	841%	433%	2924%
M&T	17	$72.87	17	$169.17	24	$187.24	38	$335.04	58.3%	78.9%	123.5%	360%
Citibank	29	$719.46	21	$438.69	33	$793.53	30	$762.64	-9.1%	-3.9%	3.4%	6.0%
Capital One	29	$176.60	28	$314.46	25	$178.42	26	$161.07	4%	-9.7%	-10.3%	-8.8%
Chase	57	$328.00	59	$355.00	48	$465.00	54	$387.00	12.5%	-16.8%	-5.3%	18.0%
TD Bank	11	$30.38	23	$72.94	9	$36.70	9	$28.27	0.00%	-23.0%	-18.2%	-6.9%
Bank of America	72	$114.00	98	$102.80	49	$158.00	21	$89.97	-57.1%	-43.1%	-70.8%	-21.1%
HSBC	34	$96.84	35	$165.33	21	$86.93						
Wells Fargo	4	$18.78	2	$6.94	22	$384.51						
Smaller Banks												
Ridgewood	10	$9.50	2	$1.00	2	$1.75	4	$3.25	100%	85.4%	-60%	-65.8%
Astoria	1	$0.10	4	$5.50	7	$11.60	13	$19.10	85.7%	64.7%	1200%	19000%
Signature	50	$210.34	73	$282.58	65	$242.32	69	$388.70	6.2%	60.4%	38.0%	84.8%
NY Community	31	$139.51	25	$355.80	83	$455.68	44	$238.66	-47.0%	-47.6%	41.9%	71.1%
Apple Bank	1	$12.00	7	$23.85	2	$23.00	5	$11.40	150%	-50.4%	400%	-5.0%
Dime	1	$0.25	1	$0.25	1	$0.25	1	$0.10	0%	-60.0%	0%	-60%
Popular Comm.	22	$32.96	23	$44.29	19	$32.87	8	$11.45	-57.9%	-65.2%	-63.6%	-65.3%
Flushing					0	$0	1	$5.00	Up from 0	Up from 0		
Valley National	13	$22.29	8	$13.91	23	$30.74	1	$1.00	-95.7%	-96.7%	-92.3%	-95.5%
BankUnited*							2	$2.10				

Carver	23	$5.07	1	$12.50	41	$28.21	11	$11.97	-73.2%	-57.6%	1000.0%	-4.2%
Wholesale Banks												
BNY Mellon		$144.00		$411.00		$155.53		$284.20		82.7%		97.4%
Morgan Stanley	12	$102.00	16	$102.33	14	$99.71	15	$169.23	7.1%	69.7%	25.0%	65.9%
Deutsche Bank	4	$22.90	28	$61.90	22	$126.23	23	$144.48	4.5%	14.5%	475.0%	531%
Goldman Sachs	11	$97.61	15	$198.27	11	$160.50	5	$76.60	-54.5%	-52.3%	-54.5%	-21.5%
Total (19 banks reporting all 4 yrs)	**374**	**$2236.88**	**452**	**$2957.08**	**441**	**$3165.83**	**381**	**$3174.65**	**-13.61%**	**0.28%**	**1.87%**	**41.92%**
*** BankUnited is new to ANHD study in 2014**												

While loans and investments are used over more than one year, we look at new loans and new commitments. Only five banks decreased the number of loans from 2013 to 2014, but 10 decreased the amount loaned. Looking over time, for the 19 banks reporting in all four years, both the number and dollar amount loaned increased, but that increase was not uniform across all banks. Eight banks loaned less in 2014 than they did in 2011 and eight made fewer loans by volume.

TD Bank, for example, has been expanding its branch presence steadily in New York City, from 84 branches in 2011 to 116 in 2014, and we would expect it to increase CRA activities as well. The bank seemed to be doing so as it went from making no community development loans in 2009 to 23 loans for $73 million in 2012, but the volume dropped considerably to nine loans for $36.7 million in 2013 and then nine loans for $28 million in 2014, which is slightly below 2011 levels. A similar pattern emerged with its CRA-qualified investments. TD Bank made $17 million new commitments in 2009, then invested over $70 million each year from 2010-12, but dropped down to $15.2 million in 2013 and then just $19 million in 2014. Likewise, it was making considerable investments in nonprofits, but none in 2013 or 2014. We are encouraged that TD Bank has in recent years developed a set of products designed specifically for CDFI's and community development projects, seeking to meet the need for smaller loans that larger banks traditionally will not make.

TABLE 33
HIGHEST PERCENTAGES OF COMMUNITY DEVELOPMENT LOANS TO LOCAL NYC DEPOSITS

	2013			2014		
	NYC Deposits (b)	**CD Lending (m)**	**% of Deposits**	**NYC Deposits (b)**	**CD Lending (m)**	**% of Deposits**
Largest Banks						
M&T	$2.67	$187.24	7.02%	$3.21	$335.04	10.44%
Citibank	$56.24	$793.53	1.41%	$59.27	$762.64	1.29%
Santander	$8.13	$6.75	0.08%	$8.73	$63.50	0.73%
Wells Fargo	$13.26	$384.51	2.90%			
Smaller Banks						
NY Comm.	$5.80	$455.68	7.86%	$6.39	$238.66	3.74%
Signature	$11.41	$242.32	2.12%	$15.10	$388.70	2.57%
Carver	$0.49	$28.21	5.73%	$0.53	$11.98	2.28%
Wholesale						
Morgan Stan	$13.74	$99.71	0.73%	$21.87	$169.23	0.77%
Deutsche Bank	$30.26	$126.23	0.42%	$51.01	$144.48	0.28%
BNY Mellon	$119.07	$155.53	0.13%	$144.05	$284.20	0.20%
Goldman Sachs	$65.38	$160.50	0.25%	$64.63	$76.60	0.12%

Among wholesale banks, we note a considerable increase in Deutsche Bank's community development lending in 2013 and 2014 after a few years of low dollar amounts loaned. Goldman Sachs's community development lending decreased rather sharply in 2014, to below their 2011 levels, but they seem to have balanced that out with a large increase in investments in 2014, well above any of the three prior years.

Similar trends emerged in CRA-qualified investments, although with larger swings. Given their complexity and scale, especially when deviating from the more traditional LIHTC fund and mortgage-backed securities, this is to be expected. When compared to 2011, the number of investments decreased by 15%, while the dollar amount increased by 181%. Quite a few banks increased their level of CRA-qualified investments considerably – Deutsche Bank's level of investments in 2014 is much higher than the previous three years ($11 million in 2011, $82 million in 2012 and $41 million in 2013). This is mostly due to supporting one large revitalization project, but they made other investments as well. Citibank increased by 68% in 2014, reaching $712 million, two and a half times their 2011 level of investments. Only three banks – TD Bank, Apple and Morgan Stanley – invested less in 2014 than they did in 2011.

TABLE 34

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

	2013			2014		
Bank	**NYC Deposits (b)**	**CRA Invest. (m)**	**% of Deposits**	**NYC Deposits (b)**	**CRA Invest. (m)**	**% of Deposits**
Largest Banks						
Citibank	$56.24	$423.33	0.75%	$59.27	$711.69	1.2%
M&T	$2.67	$0.50	0.02%	$3.21	$15	0.47%
Capital One	$22.86	$123.97	0.54%	$24.12	$65.28	0.27%
Wells Fargo	$13.26	$634.10	4.78%	$15.76		
Smaller Banks						
Flushing	$1.19	$0	0.00%	$1.21	$18.60	1.56%
BankUnited				$0.97	$13.10	1.36%
Popular Comm.	$2.50	$4.03	0.16%	$2.38	$20.48	0.86%
Ridgewood	$2.74	$9.80	0.36%	$2.69	$16.30	0.61%
Astoria	$3.68	$20	0.54%	$3.55	$15	0.42%
Carver	$0.49	$5.98	1.21%	$0.53	$.98	0.19%
Wholesale Banks						
Deutsche Bank	$30.26	$41	0.14%	$51.01	$367.03	0.72%
Goldman Sachs	$65.38	$76.22	0.12%	$64.63	$265.10	0.41%
Morgan Stan.	$13.74	$15.41	0.11%	$21.87	$84.29	0.39%

After multiple years of having made no new investments, including grants, Valley National made five CRA-qualified investments in 2014 and five grants which will be discussed in the philanthropy section. Popular Community Bank continued to increase its commitments, reaching seven for $20 million. Dime, too, made three new investments after three years of none. All four wholesale banks increased the amount invested from 2013 to 2014, but Goldman made three fewer by volume.

TABLE 35
TOTAL CRA-QUALIFIED INVESTMENTS ($ IN MILLIONS)

	2011		2012		2013		2014		% chg 2012-13		% chg 2011-14	
Bank	#	$	#	$	#	$	#	$	#	$	#	$
Largest Banks												
Santander	0	$.00	2	$8.42	1	$5.00	0	$.00	-100%	-100%	0.00%	0.00%
M&T	10	$3.95	5	$3.30	5	$.50	5	$15	0.00%	2900%	-50%	279%
Chase	12	$140	24	$350.01	48	$500	22	$417	-54.2%	-16.6%	83.3%	198%
Capital One	5	$33.80	21	$210.18	17	$123.97	8	$65.28	-52.9%	-47.3%	60%	93.2%
Citibank	19	$279.53	18	$447.02	16	$423.33	24	$711.69	50%	68.1%	26.3%	154.6%
TD Bank	36	$93.87	7	$73.04	4	$15.19	1	$19.37	-75%	27.5%	-97.2%	-79.4%
Bank of America	18	$80.30	19	$103.76	18	$104.27	8	$112.36	-55.6%	7.8%	-55.6%	39.9%
HSBC	24	$74.60	15	$285.08	37	$250.19						
Wells Fargo	9	$116.88	2	$36.92	26	$634.10						
Smaller Banks												
Ridgewood	21	$4.50	2	$6.70	5	$9.80	5	$16.30	0.00%	66.3%	-76.2%	262%
NY Community	8	$3.95	6	$29.12	10	$20.22	4	$35.55	-60.00%	75.8%	-50%	800%
Astoria	0	$0.00	0	$0.00	1	$20	1	$15	0.00%	-25%	up from 0	up from 0
BankUnited							1	$13.10				
Popular Comm.	0	$0.00	8	$15.02	3	$4.03	7	$20.48	133.33%	407.6%	up from 0	up from 0
Valley National	0	$0.00	0	$0.00	0	$0.00	5	$5.09	up from 0	up from 0	up from 0	up from 0
Apple Bank	1	$.25	2	$10	3	$3.38	0	$0.00	-100%	-100%	-100%	-100%
Carver	3	$20.75	1	$12.50	3	$5.98	4	$.98	33.3%	-83.6%	300%	-92.2%
Dime	0	$0.00	0	$0.00	0	$0.00	3	$1.50	up from 0	up from 0	up from 0	up from 0
Flushing					0	$0.00	2	$18.60	up from 0	up from 0		
Signature	0	$0.00	3	$12.80	8	$35.21	3	$25.44	-62.5%	-27.7%	up from 0	up from 0
Wholesale												
Deutsche Bank	4	$11.00	10	$82.10	2	$41.00	9	$367.03	350%	795.2%	125%	3237%
Goldman Sachs	7	$75.84	11	$87.09	9	$76.22	6	$265.10	-33.3%	247.8%	-14.3%	250%
BNY Mellon		$23.00		$232		$105.35		$144.14		36.8%		527%
Morgan Stanley	12	$110.28	5	$40.05	5	$15.41	13	$84.29	160%	447%	8.3%	-23.6%
Total (18 banks reporting all 4yrs)	152	$860.01	141	$1700.59	152	$1499.50	124	$2320.61	-18.4%	54.8%	-18.4%	170%

One factor that can get lost in the overall dollar amounts of community development lending is the impact of the lending. Under the CRA, "The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending." Regulators may also consider other consumer loans if they make up a substantial portion of a bank's business.[64] In practice, when looking at a bank's core lending, greater weight is placed on areas where banks do more business. For example, a bank like Citibank will be evaluated more heavily on its 1-4 family lending, but much less so on its multifamily lending, while the opposite is true for Signature or NY Community Bank. Likewise, banks like Ridgewood that make more residential multifamily and 1-4 family loans and no small business loans will be evaluated on those. Regulators evaluate the volume and distribution of core loans, analyzing both geographic and borrower characteristics. Community development lending, on the other hand, goes beyond those criteria and evaluates how banks are meeting the credit needs of lower-income people and communities

[64] 12 CFR 25.22 (OCC – Lending Test)

improve conditions as defined by having a "community development purpose," such as by increasing access to jobs, community services, affordable housing, and more stable neighborhoods. We would expect the community development lending to align with a bank's business model. For example, a bank that finances the construction or renovation of multifamily housing is likely to finance the construction or rehabilitation of affordable housing, more so than a bank that doesn't engage in that line of business. What we've noticed, however, is that some banks that do a large volume of commercial and/or multifamily lending technically satisfy their CRA obligations mostly by identifying their core business loans that meet certain criteria under the CRA, typically based on the location of the loan, rather than the actual people impacted. For example, a loan to attract or retain a retail center or a pharmacy in a lower-income census tract or in an area targeted for redevelopment, such as the empire zones, will automatically get credit as a community development loan; if jobs can be documented, then it may get economic development credit in particular. For example, New York Community bank received economic development credit for a loan to a for-profit entity to finance a building in an Empire Zone in Harlem. The building houses six businesses, including a bank and a government benefits office. There is no mention of the types of jobs retained or preserved and to whom they went.[65] Also, over 95% of the bank's affordable housing community development loans are part of their standard multifamily lending, which they would be doing regardless of CRA credit. Similarly, Signature bank received credit on its 2012 exam for financing a strip mall in a low-income census tract in Bronx, with no mention of the types of jobs or businesses impacted.[66] While it is certainly important to have credit flowing to these neighborhoods, attention must be given to the impact as well and banks need to be at the table to support efforts to move people into better paying jobs with opportunities for economic mobility.

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

We also know that affordable housing built and managed by a mission-driven nonprofit or CDC is more likely to remain affordable in perpetuity, whereas housing built by a for-profit developer runs a greater risk of becoming market-rate when the terms of the subsidies expire. Likewise, the housing must be truly affordable to local residents. ANHD's 2012 Real Affordability report analyzed the housing built and preserved under Mayor Bloomberg's New Housing Marketplace Plan and found that two-thirds of affordable housing units were in fact unaffordable to the majority of local residents who earn less than the median income in their neighborhood.[67] Additionally, over 31,400 units of affordable housing are at risk of losing their affordability within five years (between 2014 and 2019), because the affordability requirements that were part of the financing and regulatory agreements are expiring.[68] Nonprofit CDCs and developers are locally rooted and mission driven to serve the lower-income, immigrant, 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

---

[65] Ibid 46.
[66] Ibid 47, page 18.
[67] Gates, M., Williams, B. (2013), *"Real Affordability, an Evaluation of the Bloomberg Housing Program"*, published by ANHD, retrieved from: http://www.anhd.org/resources-reports/policy-reports.
[68] Ibid.

neighborhoods; create space for local businesses that provide quality jobs; provide direct assistance to the businesses to grow and thrive; create new economic opportunities for people in the neighborhoods to find quality jobs; and myriad other services for the local communities. Banks must take an intentional approach to partnering with nonprofits, particularly CDCs, to ensure that they have access to equity and credit to further their missions

Chase has long been recognized as a source of credit for affordable housing. Their percentage of loans to nonprofits and percentage of affordable housing loans in particular remains above their peers, but their percentages have been declining over the years. In 2011, 79% of Chase's community development loans by volume and 70% by dollar amount went to nonprofits, and that dropped to 63% by volume and 40% by dollar amount in 2014. Of their affordable housing loans, Chase went from two-thirds by volume and dollar amount to nonprofits in 2011 down to 41% by volume and 33% by dollar amount in 2014. Chase does not report on lending to CDC's, but we know that a number of ANHD member organizations have received loans from Chase and look to them as a potential partner.

TABLE 36

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

	Aff. Hsg (#)	Aff. Hsg ($)	% Aff. Hsg (#)	% Aff. Hsg ($)
Largest Banks				
Citibank	16	$712.10	53.3%	93.4%
Santander	13	$58.65	81.3%	92.4%
Capital One	14	$147.57	53.9%	91.6%
Smaller Banks				
Flushing	1	$5.00	100%	100%
Popular Comm	3	$6.47	37.5%	56.5%
BankUnited	1	$1.00	50%	47.6%
Wholesale Banks				
BNY Mellon		$276.35		97.2%
Deutsche Bank	19	$138.73	82.6%	96%
Morgan Stanley	11	$158.38	73.3%	93.6%

TABLE 37

HIGHEST PERCENTAGES OF AFF. HOUSING CD LENDING THAT WENT TO NONPROFIT ORGANIZATIONS (NFP) ($ IN MILLIONS)

	Aff. Hsg to NFPs (#)	Aff. Hsg to NFPs ($)	% of Aff. Hsg loans (#)	% of Aff. Hsg loans ($)
Largest Banks				
Chase	11	$103	40.7%	32.8%
Capital One	6	$41.43	42.9%	28.1%
M&T	1	$10.00	25%	23.6%
Smaller Banks				
Flushing	1	$5.00	100%	100%
BankUnited	1	$1.00	100%	100%
Popular Comm	0	$0.00	0.00%	0.00%
Wholesale Banks				
Morgan Stanley	11	$158.38	100%	100%
Deutsche	14	$54.17	73.7%	39%
BNY Mellon		$0.00		0.00%

Given their importance, we note some of the trends in lending to and investing in nonprofits and CDC's. Among the 16 banks reporting their community development lending to nonprofits in all four years from 2011 to 2014, the trend is mixed – the total dollar amount loaned declined by 2.3% from 2013-14, while the amount loaned to nonprofits iincreased by 19%, but the volume overall decreased by 18% and by 5.8% to nonprofits. Looking over time, the amount loaned from 2011 to 2014 increased 30% and the amount loaned to nonprofits increased by 22%, while the total volume decreased 13% and the volume to nonprofits increased 5%. The median percentage of loans to nonprofits was close to 50% in 2011 and also in 2014, but the median percentage of dollars loaned went from 45% in 2011 down to 24% in 2014.

For the 13 banks reporting their lending to CDCs in all four years, both the number and dollar amount loaned decreased from 2013 to 2014. Over the four years, the number of loans declined 17% and the amount loaned increased 31%, whereas the number of loans to CDCs declined 60% and the dollar amount 75%. Across all four years, the average and median percentages to CDCs was very low, with the median number of loans back at 0% in 2014.

TABLE 38
COMMUNITY DEVELOPMENT LENDING TO NONPROFITS AMONG 16 BANKS REPORTING IN ALL FOUR YEARS ($ IN MILLIONS)

	2011	2012	% chg 2011-12	2013	% chg 2012-13	2014	% chg 2013-14	% chg 2011-14
CD Lending (# Loans)	315	348	10.5%	332	-4.6%	274	-17.5%	-13.0%
CD Lending (in $)	$1736	$1896	9.2%	$2318	22.2%	$2264	-2.3%	30.4%
CD Loans to Nonprofits (#)	139	179	28.8%	155	-13.4%	146	-5.8%	5.0%
CD Loans to Nonprofits ($)	$628.93	$614.62	-2.3%	$644.02	4.8%	$764.98	18.8%	21.6%
Avg to NFP (#)	51.12%	51.32%	0.4%	51.60%	0.5%	47.60%	-7.8%	-6.9%
Avg to NFP ($)	49.17%	48.41%	-1.6%	39.98%	-17.4%	32.87%	-17.8%	-33.1%
Med. To NFP (#)	52.73%	48.21%	-8.6%	47.45%	-1.6%	50.00%	5.4%	-5.2%
Med. To NFP ($)	45.31%	53.96%	19.1%	33.98%	-37.0%	24.42%	-28.1%	-46.1%

TABLE 39
COMMUNITY DEVELOPMENT LENDING TO CDCS AMONG 13 BANKS REPORTING IN ALL FOUR YEARS ($ IN MILLIONS)

	2011	2012	% chg 2011-12	2013	% chg 2012-13	2014	% chg 2013-14	% chg 2011-14
CD Lending (# Loans)	245	272	11.0%	269	-1.1%	204	-24.2%	-16.7%
CD Lending (in $)	$1305.84	$1438.77	10.2%	$1752.53	21.8%	$1707.34	-2.6%	30.7%
CD Loans to CDCs (#)	40	58	45.0%	22	-62.1%	16	-27.3%	-60.0%
CD Loans to CDCs ($)	$108.73	$109.45	0.7%	$60.38	-44.8%	$27.33	-54.7%	-74.9%
Avg to CDC (#)	10.7%	11.6%	8.1%	10.9%	-5.3%	6.4%	-41.6%	-40.3%
Avg to CDC ($)	10.4%	9.7%	-6.4%	5.8%	-39.8%	1.3%	-77.1%	-87.1%
Med. To CDC (#)	0.0%	0.0%	0.0%	4.2%	*up from 0*	0.0%	-100.0%	0.0%
Med. To CDC ($)	0.0%	0.0%	0.0%	0.9%	*up from 0*	0.0%	-100.0%	0.0%

Investments to nonprofit sponsors also continued to decline in number, but the amount loaned increased in 2014. Among the 15 banks that reported in all four years, the number of investments in nonprofits declined by 23% in 2014, while the dollar amount increased by 53%. From 2011 to 2014, the number of investments in nonprofits declined by 24% and the dollar amount increased by 182%. Morgan Stanley does not break out investments to CDC's, but they are well respected for their work on affordable housing. In 2014, they provided $12.5 million in loans and $45 million in equity to support the rehabilitation of physically and financially distressed affordable housing.

TABLE 40

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

	# to NFP	$ to NFP	% (#)	% ($)	% chg 2013-14 (#)	% chg 2013-14 ($)
Largest Banks						
Chase	34	$154	63%	39.8%	3.0%	-33.9%
Capital One	18	$53.80	69.2%	33.4%	100.0%	-11.1%
Citibank	15	$206	50%	27.1%	-34.8%	301%
TD	5	$4.65	55.6%	16.5%	66.7%	-62.8%
Smaller Banks						
BankUnited	2	$2.10	100%	100%		
Flushing	1	$5.00	100%	100%		
Astoria	12	$19.00	92.3%	99.5%	71.4%	63.8%
Wholesale Banks						
Morgan Stanley	15	$169	100%	100%	36.4%	77.4%
Deutsche	17	$57.42	73.9%	39.7%	-5.6%	190.3%
Goldman Sachs	1	$6.00	20%	7.8%	-50.0%	-92.0%

TABLE 41

HIGHEST PERCENTAGE OF CRA-QUALIFIED INVESTMENTS TO NONPROFITS ($ IN MILLIONS)

	# to NFP	$ to NFP	% (#)	% ($)	% chg 2013-14 (#)	% chg 2013-14 ($)
Largest Banks						
M&T	1	$14.60	20%	97%	-80%	2820%
Chase	3	$71.00	13.6%	17%	0%	274%
Smaller Banks						
Ridgewood	4	$13.30	80%	81.6%	0%	129%
NY Comm	2	$0.25	66.7%	1.4%	100%	-92%
Dime	1	$1.50	33.3%	66.7%		
Wholesale Banks						
Deutsche	4	$6.98	44.4%	1.9%	*from 0*	*from 0*
Goldman	1	$4.68	16.7%	1.8%	*from 0*	*from 0*

TABLE 42

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

	# to CDCs	$ to CDCs	% (#)	% ($)	% chg 2013-14 (#)	% chg 2013-14 ($)
Capital One	4	$16.41	15.4%	10.2%	33.3%	-43.2%
Deutsche	9	$3.34	39.1%	2.3%	-25%	211%
TD Bank	1	$0.60	11.1%	2.1%	0.0%	-94.8%
Citibank	1	$6.88	3.3%	0.9%	from 0	from 0
Astoria	1	$0.10	7.7%	0.5%	from 0	from 0

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

1. **Predevelopment Costs:**

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

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

2. **Smaller loans and smaller deals:**

   Acquisition Costs: Due to economies of scale, it may not be as lucrative for a bank to underwrite and originate a loan for a 10 unit building as it would be for 100 units. However, those 10 units are critically important to the families who will access it and, because CDCs actively pursue opportunities to develop affordable housing on a mission-driven, not profit-driven basis, these smaller deals often fall predominantly to neighborhood-based CDCs to develop. CDCs are also at a disadvantage when competing for projects of all sizes with larger for-profit developers that have larger assets. Nonprofit developers need access to affordable capital to rehabilitate and construct housing at any size to take advantage of all opportunities to build and preserve affordable housing. A lending product that accurately reflects the situation of small, mixed-use affordable housing properties is also needed.

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

3. **Appropriate risk assessment:**

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

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

Relatively few banks fill the first space, but a few stand out. For many years, Capital One has been recognized as a good partner to CDCs in this capacity. For example, the bank increased a line of credit with Cypress Hills LDC in 2014 for working capital and for the acquisition of properties for future affordable housing development. Chase has also long been among the go-to lenders for nonprofit housing developers and continues to partner with many CDCs on projects. Deutsche Bank has been recognized in this space for many years, largely through their working capital program, which provides zero-interest loans (recoverable grants) specifically for pre-development costs. Morgan Stanley has also loaned and invested considerable dollars to help nonprofits and CDCs to acquire and rehabilitate affordable housing.

With regards to the smaller loans, a few banks have been considered good partners in this area, such as Capital One, Chase, and TD Bank at times. But, typically the largest banks prefer larger deals. We are encouraged that more lenders seem eager to move into this area. Valley National, for example, is taking steps to help fill this gap. BankUnited, which is very new to the NYC market, is also doing outreach to local CDCs and is interested in the smaller deals that larger banks are less likely to do. Both banks have already provided lines of credit to CDFI's that can be used to relend for housing and small business purposes. While not a direct investment in smaller nonprofits, Citibank reported making over $150 million in loans in 2015 to CPC and we know other banks have done so as well, if not at that scale. CPC is a nonprofit lender that will also make these loans.

LIHTC is a fairly common CRA-qualified investment for many banks, with the scale and complexity varying among institutions and deals. We understand LIHTC to make up the majority of Bank of NY Mellon's investment portfolio each year; while important, this is not sufficient for a bank of this size. Citibank, Bank of America, and Chase are also active LIHTC investors. One example cited by Citibank is a $37.8 million investment to acquire and rehabilitate a 536-unit Bronx Mitchell-Lama building, 95% of which are affordable to 60% AMI. Other banks large and small, including Deutsche Bank, Ridgewood, and NY Community Bank made investments in LIHTC funds that focus on projects in New York City.

In addition to LIHTC, banks make other investments towards affordable housing. Morgan Stanley has put significant amounts of debt and equity towards preserving affordable housing. Deutsche Bank too has provided bond financing for affordable housing projects. Goldman Sachs made a large investment in Essex Crossing, as part of the Seward Park Renewal area, which includes affordable housing, a grocery store, schools, and a community center. A few banks, such as M&T, Dime, and Carver made investments in Credit Unions to be reinvested in the community, often for housing and small business lending.

TABLE 43

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

	2014			
	LIHTC (#)	LIHTC ($)	% to LIHTC (#)	% to LIHTC ($)
Largest Banks				
TD Bank	1	$19.36	100%	100%
Bank of America	8	$112.36	100%	100%
Capital One	3	$64.75	37.5%	99.2%
Chase	15	$173	68.2%	41.5%
Smaller Banks				
Astoria	1	$15.00	100%	100%
NY Community	1	$17.00	33.3%	91.6%
Signature	2	$18.29	66.7%	71.9%
Ridgewood	1	$0.30	20%	1.8%
Apple Bank				
Wholesale Banks				
Deutsche Bank	2	$45.00	22.2%	12.3%
Goldman Sachs	0	$0.00	0.00%	0.00%
Morgan Stanley	2	$15.79	15.4%	18.7%

Of course, not all community development activity is related to affordable housing or economic development (economic development will be discussed at length in the next section) M&T focuses on healthcare and social services in much of their community development lending. Citibank made a large NMTC investment in the Shomberg Center for Research in Black Culture in Harlem and Dime made an investment in the Brooklyn Hospital Center, which has healthcare facilities throughout Brooklyn.

As mentioned above, the most important aspect is the impact of the loans. Banks must be intentional about their lending and investments and regulators need to scrutinize each one to ensure that they are having a positive impact and, at the same time, not leading to displacement or harassment or low-wage jobs with little or no chance for advancement.

ECONOMIC DEVELOPMENT UNDER THE CRA

Trends

- The number of CRA small business loans increased by 10% in 2014, while the amount loaned declined by 9%. On average, over a third of the loans were in LMI tracts. In LMI tracts, the number of loans increased 33% while the dollar loaned was flat. A larger number of smaller loans is encouraging, given the need for smaller dollar loans, but the data makes it impossible to tell how many are traditional loans and lines of credit versus credit card loans. .

- With a few exceptions, the percentage of community development loans and investments under the **economic development category** is very small, highlighting the challenges with the category and the opportunity for activity to support quality jobs. **8 of 20 banks reported that none of their community development loans**

under the economic development category. Only 6 reported at or above 25% by volume (five by dollar). The numbers decrease further when factoring in multifamily community lending. **Additionally, only 3 of 17 banks reported that over 1% of their CRA-qualified investments went for economic development**. Grants were higher, with 10 banks dedicating at or above 25% of dollars to economic development.

Recommendations

- **Banks and regulators must look at the overall impact of that loan** with respect to the quality of jobs created, the quality of housing, and the sustainability of the impact over time. They must also ensure that the loan meets the needs of local communities and does not cause harm.

- **Banks** should dedicate more money and resources to **equitable economic development.** Regulators should elevate the importance of this category through the performance context and provide more clarity and emphasis on outcomes in exams to ensure more resources are going towards activities that create opportunities to build wealth and improve living standards.

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

Equitable economic development goes beyond expanding the tax base and beyond simply creating and preserving jobs. It is about the jobs being created and the people being served. **Equitable economic development is about creating the systems and environments to create a stable middle and working-class employment base and 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.**

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

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

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

Just as the affordable housing ecosystem did not happen on its own, an equitable economic development ecosystem must also be intentionally created. This is one of the three principle themes to ANHD's Equitable Economic Development Initiative. 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.

ANHD proposes a CRA Equitable Economic Development working group be convened to start developing the tools and approaches needed to create this ecosystem. This working group should include representatives from the New York City Economic Development Corporation, the New York City Department of Small Business Services, the Mayoral administration, financial institutions. The working group must also include experts in the field, including Community Development Corporations, community based organizations, Industrial Business Service Providers, nonprofit developers of industrial space; workforce development providers, and organizations that focus on small business development and commercial revitalization. Additional dollars will also be necessary to support any new and existing tools and approaches,

$1 Billion Challenge:
The financial sector covered by the CRA should increase its involvement by partnering with government and communities to invest an additional $1 billion in programs and activities supporting equitable economic development

As will be described in detail below, this section analyzes small business lending under the CRA (small business loans of $1 million or less) and CRA-eligible loans, investments and grants under the economic development category. ANHD compared the NYC banks in this study to banks nationwide on their CRA-eligible loans, investments and grants and found NYC banks to be lagging.

Looking at a cross section of over 30 regional and national banks around the country, banks dedicated an average of 12.6% of their total CRA-eligible community development loans (including multifamily community development loans), investments, and grants to economic development. In contrast, local New York City banks in 2013 dedicated just 7.4% towards economic development (calculation excludes the highest and lowest amounts).[69] In 2014, using the same methodology among the 22 banks that reported, the percentage dropped to 3.2%. When comparing banks for which we have data in both years, the percentage drops from 8.1% to 3.4%. In order to compare with published CRA exams, we included HMDA/MECA multifamily community development loans in these calculations. Excluding those in the analysis would more closely match the methodology of this report and bring the average percentage up to 17% in 2013 and 8% in 2014.

This totaled $743 million reported by 22 banks in New York City towards economic development in 2013, such that, the average percentage of dollars towards economic development by banks in New York City was 38% less than their counterparts nationwide. In 2014, the total was $551 million. While we recognize that doesn't include HSBC or Wells Fargo, collectively they accounted for less than 3% of total economic development reinvestment dollars in 2013. These same banks (including HSBC and Wells Fargo) dedicated $331 million in CRA small business loans in LMI tracts in 2013 and $332 million in 2014.

The average actually obscures the level of CRA investment in economic development by many banks. The national median of CRA-eligible community development loans, investments, and grants to economic development was 10.6%, whereas local New York City banks' median investment was just 0.42% to economic development in 2013 and 0.89% in 2014 (0.40% and 1.22% when comparing banks with data in both years.)

---

[69] Methodology and more details in previous ANHD white paper *Billion Dollar Opportunity*.

We do note that New York City banks were much more in line with – and in some cases surpassed – the national banks regarding the percentage of grants to economic development. The national average of CRA Grant dollars towards economic development was 10.8% with a median of 11.4%. For NYC banks, the average was 15% with a median of 7.3%. In 2014, the average was 25% and the median 26%.

ANHD BELIEVES BANKS IN NYC SHOULD 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 to raise the bar nationwide. With economic development activity by banks in NYC so dramatically trailing activity nationwide, we believe that this aspirational goal is a realistic start to support this growing emphasis on economic development, especially if the dollars are used for equitable economic development activities that have a concrete strategy to create and preserve quality jobs and economic opportunity for low income New Yorkers and underserved communities.

Collectively, NYC banks can reach this $1 billion goal by:

(1) dedicating an additional $750 millon (just over double the 2013 level) of community development loans, investments, and grants towards economic development

(2) dedicating at least an additional $150 million in CRA loans, investments and grants that fall under other CRA categories but still support quality jobs and increased economic opportunities through local hiring, workforce development, and small business supports, and

(3) dedicating an additional $165 million (50% more of the amount loaned to small businesses in LMI 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.

It must be noted that while ANHD believes that bank reinvestment activity should be expanded to include more equitable economic development, it should not come at the expense of affordable housing dollars, especially dollars that support permanent affordable housing for the lowest income New Yorkers. Given the City's serious affordable housing crisis and the central role of affordable housing in community development, ANHD believes that banks in NYC must maintain — and even expand — their investment in affordable housing. Equitable economic development reinvestment should come on top of and not in place of, banks' ongoing commitment to affordable housing.

Conventional Small Business Lending

New York City is home to over 224,000 small businesses that employ fewer than 20 people, up from 187,000 in 2000. The City is also home to over 810,500 "Non-employers" (self-employed individuals that file taxes, but have no payroll) where the business may or may not be their primary source of income. In New York City, these self-employed businesses generate nearly $35 billion in receipts. **A report by the Center for an Urban Future found that the smallest of businesses accounted for over 80% of new businesses since 2000,** and outlined specific ways the City and private sector could help them grow. Small businesses are particularly important to immigrants who make up over 36% of the City population, 46% of the labor force, and 48% of all business owners. An earlier study by CUF found that the self-employment rate for immigrants exceeds that of native-born New Yorkers in all boroughs except Manhattan.[70] They also found that the self-employed are predominantly immigrants and native-born Whites. However, very few native-born poor people of color are starting their own businesses. This reveals great opportunity for both traditional lending and additional services to help these populations successfully open and manage their own businesses.

The Federal Reserve Bank of NY conducts surveys every 6 months of small businesses in the region. In 2014, they expanded the survey by partnering with the Federal Reserve Banks of Atlanta and Philadelphia.[71] They found that 18% of microbusinesses and 32% of small businesses applied for some form of credit in 2014; half of the applicants were denied completely while the remaining half were approved for all or part of the amount they applied for. The primary products small businesses applied for were traditional business loans and lines of credit, with the vast majority asking for $250,000 or less — among microbusinesses, most needed less than $100,000. **Yet collectively, only 39% of bank small businesses loans and just over half of credit cards and lines of credit were approved.** These denials had real impacts on businesses, many of which were unable to expand as a result. They also found that 40% of New York businesses planned to apply for financing in the coming year.

First and foremost, banks that make small business loans have an obligation to lend equitably. According to the CRA, "small business loans" are actually all business loans of one million dollars or less. CRA regulators look at these loans and evaluate them on a number of criteria: 1) the proportion of loans within the assessment area; 2) the distribution of loans within low-, moderate-, middle- and upper-income census tracts; 3) the proportion of loans to small businesses where in this context, a small business is defined by having gross annual revenues of one million dollars or less; and 4) the distribution of loans by loan amount (less than $100 thousand, $100 thousand — $250 thousand, $250 thousand — $1 million). It must be noted that, as valuable as this data is, it is also extremely limited, making it challenging to use as a test of bank response to small business credit needs. For one thing, data is not reported at the census tract level. Loans are aggregated at the county level with a breakdown of how many of those loans were made in LMI tracts, but it is impossible to know how many loans a bank made in a particular census tract or neighborhood. Second, loan originations, refinancings, renewals, and lines of credit are all treated equally; there are no separate categories to distinguish them. Similarly, business credit cards are treated the same as traditional bank loans/lines of credit, even though they could potentially have significantly higher interest rates, especially if someone is late on a payment at one point. Finally, the reporting does not make transparent many pieces of data that would help the public better evaluate the impact of a bank's lending practices. These data points include, but are not limited to, the actual size of the business in terms of revenue and/or number of employees in the business; income level of owner and/or employees; race or gender of the business owner; the type of business; or demand for loans as measured by the number and amount requested in applications filed, denied, and withdrawn.

For some types of loans, particularly credit card loans and some renewals, banks may not consider revenue size in their underwriting, and they aren't required to do so for any loan. More 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 loan to small businesses and their distribution within low- and moderate-income census tracts. ANHD looks forward to the implementation of Section 1071 of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010, which requires lending institutions to collect and disclose more data on small business lending, akin to what HMDA provides for home mortgages. The purpose of Section 1071 "is to facilitate enforcement of fair lending laws and

[70] Foggin, M, Zonis, N, Bowles, J, et alia – Center for an Urban Future (2014), Small Business Success
[71] (2015) Joint Small Business Credit Survey Report, 2014. Published by the Federal Reserve Banks of New York, Atlanta, Cleveland and Philadelphia retrieved from http://www.newyorkfed.org/smallbusiness/joint-small-business-credit-survey-2014.html
[72] HR 4173 of 2010, Section 1071

TABLE 44
CRA SMALL BUSINESS LENDING ($ IN MILLIONS) – ALL LENDERS IN NYC

Small Loans to Businesses (loans of $1 million or less to businesses of any size)					
	2012	2013	% chg	2014	% chg
Small Loans to Businesses (#)	177,959	162,174	-8.9%	189,092	16.6%
Small Loans to Businesses ($)	$4807	$5157	7.3%	$5374	4.2%
... in LMI tracts (#)	43,735	42,776	-2.2%	60,251	40.9%
... in LMI tracts ($)	$1126	$1224	8.7%	$1486	21.4%
Small Business Loans (loans $1 million or less to businesses with revenue of $1 million or less)					
	2012	2013	% chg	2014	% chg
Small Business Loans (#)	69,865	71,009	1.6%	78,480	10.5%
Small Business Loans ($)	$1451	$1695	16.9%	$1647	-2.8%
... in LMI tracts (#)	17,187	18,855	9.7%	26,543	40.8%
... in LMI tracts ($)	$391.04	$486.97	24.5%	$553	13.6%

TABLE 45
CRA SMALL BUSINESS LENDING ($ IN MILLIONS) – 21 RETAIL BANKS IN ANHD STUDY

Small Loans to Businesses (loans of $1 million or less to businesses of any size)						
	2012	2013	% chg	2014	% chg	Cnt
Small Loans to Businesses (#)	86,419	82,491	-4.6%	99,906	21.1%	21
Small Loans to Businesses ($)	$3408	$3652	7.17%	$3608	-1.2%	21
... in LMI tracts (#)	23,858	23,672	-0.78%	32,916	39.1%	21
... in LMI tracts ($)	$779.98	$891.21	14.26%	$988.99	12%	21
Small Business Loans (loans of $1 million or less to businesses with revenue of $1 million or less)						
	2012	2013	% chg	2014	% chg	Cnt
Small Business Loans (#)	27,079	26,880	-0.73%	29,606	10.1%	21
Small Business Loans ($)	$973.92	$1140	17.09%	$1034	-9.4%	21
... in LMI tracts (#)	7,354	7,617	3.58%	10,101	32.6%	21
... in LMI tracts ($)	$248.61	$331	33.14%	$331.96	0.29%	21

Among the 21 retail banks in this study, the number of small loans to businesses overall continued to decrease from 2012 to 2013 (down 4.6%), while the dollar amount went up 7.2%. However, the total number increased greatly in 2014, up 21%, well over 2012 levels. From 2012-14, the number of loans increased 16% while the dollar amount loaned increased by just 6%. These are likely due to a larger number of smaller credit card loans but the data is challenging to interpret as most banks do not have independent credit card affiliates that report separately. The numbers look better in lower-income tracts. The total number of loans was flat (down less than 1%) from 2012 to 2013 and then increased 39% in 2014, while the dollar amount increased 14% in 2013 and then another 12% in 2014.

When looking at actual small business loans – loans to businesses with revenues of $1 million or less – the trends change. In 2013, the number of loans was essentially flat (down 0.7%), while the dollars loaned increased 17%. In 2014, the number of loans increased 10% but the dollars loaned decreased by 9%. In lower-income tracts, however, lending increased in all categories. In 2013, the number of loans was up 4% and the dollars loaned up 33%, whereas in 2014, the number of loans went up 32% but the dollars loaned flat, down 0.13% indicating more loans for fewer dollars. This could actually be a positive trend over the full three years, given that many studies indicate that small businesses often need smaller dollar loans well under $250,000, but the total amount is still low, and again we cannot distinguish the traditional loans and lines of credit from credit card loans.

As in previous years, the larger national banks made the vast majority of small loans to businesses. Chase continues to originate the most loans by far – making over 35,000 loans in 2013 and over 47,000 in 2014, with nearly a third of those in lower-income tracts. Capital One follows with over 16,500 loans, and then Citibank and Bank of America, each over 11,000 loans. In 2014, all three of these banks made over 30% of their loans in LMI tracts. Once again, Chase reported a very small percentage of its loans as being to businesses with revenues of one million or less – just 1.5% in 2014. All three have major credit card businesses and these loans encompass the bulk of their small business lending, but commercial credit cards are not nearly as meaningful to small businesses as traditional loans and lines of credit. In addition, Chase does not capture revenue in any of its credit card lending, making it extremely difficult to evaluate how many of their loans are reaching small businesses. Chase is one of the largest SBA lenders, which is certainly meaningful, but SBA lending accounts for a very small percentage of its lending. According to one analysis, SBA lending makes up less than 2% of all small business loans.[73] In Fiscal Year 2014, the SBA New York District office reported that Chase made the most SBA 7(a) loans in the region, (461 loans for $45 million) and 634 in FY 2015 (634 loans, $71 million).[74] This figure encompasses the entire New York District, including NYC, Long Island, and seven other counties. This is clearly a very small percentage of their overall small business lending, but possibly a larger percentage of the lending done by JPMorgan Chase Bank (versus the credit card division Chase Bank USA).

TABLE 46
SMALL BUSINESS LOANS MADE UNDER CREDIT CARD ENTITIES FOR CAPITAL ONE, CHASE, AND BANK OF AMERICA

	Small Business Loans (loans under $1 million to businesses with revenues under $1 million)						Total CRA Loans to Small Businesses Loans (all business loans under $1 million)				
	Small Business Loans (#)	Small Business Loans ($)	% of all loans to busines-ses (#)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts	Small Loans to Busines-ses (#)	Small Loans to Busines-ses ($)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts
Total Capital One	6630	$79.89	39.97%	2602	39.3%	$26.08	16587	$431.93	5797	35%	$125.40
... Capital One Bank USA	6179	$47.00	43.65%	2444	39.6%	$15.06	14157	$94.65	5075	35.9%	$29.27
... % of total	93.2%	58.8%		93.9%		57.7%	85.3%	21.9%	87.5%		23.3%
Total Bank of America	6445	$103.11	57.45%	2453	38.1%	$28.57	11219	$387.45	3893	34.7%	$101.03
... FIA Card Services	4733	$40.10	64.94%	1808	38.2%	$13.75	7288	$67.82	2628	36.1%	$21.81
... % of total	73.4%	38.9%		73.7%		48.1%	65.0%	17.5%	67.5%		21.6%
Chase	613	$65.27	1.30%	175	28.6%	$18.91	47044	$1150.29	15619	33.2%	$281.59
...Chase Bank USA	0	$0.00	0.00%	0	0.00%	$0.00	44661	$482.38	15052	33.7%	$147.91
... % of total	0.0%	0.0%		0.0%		0.0%	94.9%	41.9%	96.4%		52.5%

[73] Shane, S.,"How Common are Small Business Administration Loans?", *Small Biz Trends, September 16, 2013.*
[74] https://www.sba.gov/node/1059841.

Of the larger volume lenders, only HSBC decreased its total number of small loans to businesses from 2013 to 2014. Four banks decreased the amount loaned (Capital One, Citibank, HSBC, and Wells Fargo). This continues a now four-year decline by HSBC in their overall lending. Looking across a three-year period from 2012 to 2014, Citibank and HSBC both decreased the number of total loans; these two and Capital One decreased the amount loaned. HSBC's loans in lower-income tracts increased in 2014, but decreased when looking across the three years.

Among small business loans to businesses with revenues of one million or less, Citibank once again made the most loans – 7693 in 2014, but that is just slightly over their volume of 7,471 in 2013 and below the 8,600 in 2012. Capital One was second at 6,630, followed closely by Bank of America at 6,445. These three banks also led the field in the percentage of these loans in LMI tracts, with Capital One at 39%, Bank of America at 38% and Citibank at 31%. TD Bank once again made over two-thirds of its business loans to small businesses; 29% of its small business loans were in LMI tracts, up from 21% in 2013. Of the larger volume lenders, only HSBC decreased the number of loans from 2013-14; HSBC and Wells Fargo decreased the amount loaned. From 2012 to 2014, Citibank, HSBC and Chase all decreased the number of loans and amount loaned to small businesses. HSBC and Chase s also decreased their lending in lower-income tracts – HSBC by 34% and Chase by 62%.

TABLE 47
2014: LARGEST VOLUME SMALL BUSINESS LENDERS (OVER 1500 SMALL LOANS TO BUSINESSES) ($ IN MILLIONS)

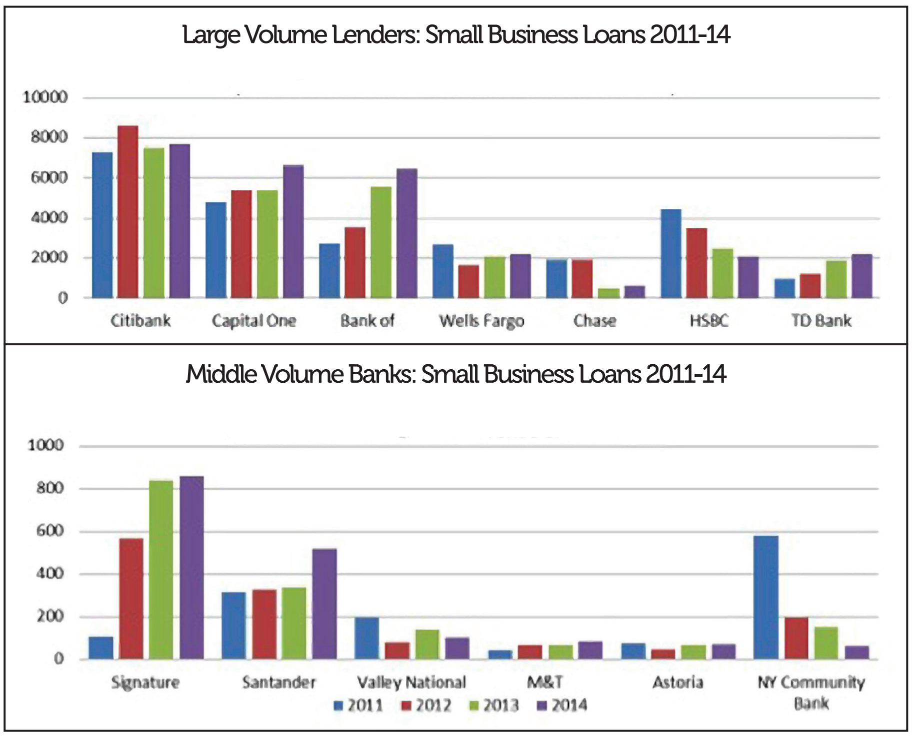
	Small Business Loans (loans to businesses with $1M or less in Revenue)						Total CRA Small Business Loans (all loans under one million)				
	Small Business Loans (#)	Small Business Loans ($)	% of all loans to business-ses (#)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts	Small Loans to Busines-ses (#)	Small Loans to Busines-ses ($)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts
Capital One	6630	$79.89	40%	2602	39.3%	$26.08	16587	$431.93	5797	35%	$125.40
Bank of America	6445	$103.11	57.5%	2453	38.1%	$28.57	11219	$387.45	3893	34.7%	$101.03
Citibank	7693	$81.52	66.3%	2422	31.5%	$23.22	11599	$153.25	3779	32.6%	$45.42
HSBC	2051	$139.30	55.9%	600	29.3%	$35.52	3668	$386.52	1033	28.2%	$92.09
TD Bank	2190	$58.76	63.2%	631	28.8%	$17.11	3463	$181.13	961	27.8%	$50.44
Chase	613	$65.27	1.3%	175	28.6%	$18.91	47044	$1150	15619	33.2%	$281.59
Wells Fargo	2194	$72.36	65.8%	568	25.9%	$16.33	3335	$146.56	816	24.5%	$32.06

TABLE 48
2014: MIDDLE VOLUME SMALL BUSINESS LENDERS (OVER 1500 SMALL LOANS TO BUSINESSES) ($ IN MILLIONS)

	Small Business Loans (loans to businesses with $1M or less in revenue)						Total CRA Small Business Loans (all loans underone million)				
	Small Business Loans (#)	Small Business Loans ($)	% of all loans to business-es (#)	# in LMI tracts	% in LMI tracts (#)	$ in LMI	Small Loans to Business-es (#)	Small Loans to Business-es ($)	# in LMI tracts	% in LMI tracts (#)	$ in LMI tracts
Signature	857	$256.80	69%	370	43.2%	$106.55	1242	$360.51	510	41.1%	$142.61
M&T	83	$19.73	42.1%	28	33.7%	$7.19	197	$62.82	50	25.4%	$14.86
Astoria	68	$2.19	51.9%	22	32.4%	$0.71	131	$11.94	47	35.9%	$4.73
Santander	516	$45.92	56.3%	138	26.7%	$15.33	916	$114.68	268	29.3%	$36.51
NY Commu-nity	60	$27.55	48.8%	11	18.3%	$7.23	123	$59.11	29	23.6%	$18.10
Valley Nati-onal	101	$40.69	50.8%	13	12.9%	$6.13	199	$84.53	23	11.6%	$10.17

Six "middle lenders" made between 100 and 1,500 loans in NYC, with Signature leading the lenders at this volume. Signature's lending has been increasing steadily for the past four years and just about 70% of Signature's loans were to small businesses, such that they once again exceeded Chase's volume of loans to the smallest businesses overall and in lower-income tracts. In 2014, over 40% of Signature's loans were in lower-income tracts, up from 28% in 2013. Signature has historically not provided credit card loans, which potentially makes these loans more responsive to credit needs. Valley National's lending, on the other hand, has been declining – they made 199 small loans to businesses in 2014, down from 251 in 2013 and down from 312 in 2011. While half of their loans went to small businesses, just about 12% were in lower-income tracts (overall and among small business loans.)

LARGE AND MIDDLE VOLUME SMALL BUSINESS LENDERS



Santander, TD Bank, Signature, and Bank of America have been steadily increasing their volume of small loans to businesses since 2012; Santander and Bank of America are also increasing lending to small businesses. Astoria and M&T have also been increasing loans, but at a much smaller scale than the others. We also note that in 2014, Santander came up among some members as being particularly responsive to small businesses, with knowledgeable staff and the ability to make more traditional loans available to small businesses, including manufacturing businesses.

We are cautious about the rise in online alternative, or "marketplace" lenders in recent years that are competing with – and in some cases partnering with — more traditional lenders, particularly as small businesses report that they are unable to get the traditional loans they seek. According to the joint small business survey, 18% of applicants got credit from an online lender, versus a bank or other source for New York State respondents, the percentage was lower at 13%. While still a small segment of total small business lending, the market is large and growing. The industry has doubled every year since 2010, reaching $12 billion in 2014.[75] This is compared to a decline of about 3 percent in the traditional banking sector.[76] Loans are quicker to access and are approved at much higher rates than other lenders. Approval rates by marketplace lenders are over 60% as compared to roughly 50% at community banks and barely 20% at large banks. This is especially concerning given how rapidly community banks are disappearing across the country.[78]

Staff at CDFI's and CDCs that support small businesses in NYC report business owners coming to them more and more as problems arise from online lenders, indicating more may be coming. A recent NY Times article highlighted problems borrowers have faced from such lenders, akin to payday lending and the subprime crisis in some

[75] Morgan Stanley, "Can P2P Lending Reinvent Banking?", Jun 17, 2015 http://www.morganstanley.com/ideas/p2p-marketplace-lending.
[76] Mills & McCarthy, Harvard "The State of Small Business Lending: Credit Access during the Recovery and How Technology May Change the Game"
[77] Ibid

scenarios. "Moody's Investors Service, the credit-rating firm, warned that the marketplace industry bears some similarities to mortgage lending in the period leading up to the 2008 financial crisis because the companies that market the loans and approve them quickly sell them off to investors. Marketplace companies do not suffer losses directly if the borrowers default, which may embolden them to lower their credit standards."[78] Other analysts offer similar warnings, noting the dangers this system poses as these unregulated lenders seek higher profits from higher risk borrowers in the form of high fees and interest rates. This risk is compounded by a potentially unstable, non-deposit-based, source of capital, such as hedge funds and investment firms, and the fact that they securitize and sell off the loans, rather than keep them on their books. During the next downturn, these lenders are at the greatest risk of collapse when borrowers default and investors inevitably pull out.[79]

While some mission-driven lenders, like Kiva Zip, have been reported as beneficial, that is not the norm. Others run the risk of causing more harm than good, especially when borrowers have few other options or don't understand the terms, which can be quite expensive. Some products, for example, automatically take a cut of the proceeds at the time of a sale. Others, regardless of payment method, can carry interest rates of 40% or more. Often people turn to these alternative online lenders because of their quick turnaround rates and because banks won't make the loans. This is particularly acute for newer businesses, but also affects more established businesses. Given the number of factors that go into getting a loan, additional supports are critical to helping these businesses succeed and thrive.

We don't yet know the impact of these alternative lenders. Certainly, some marketplace lenders offer models that could potentially increase efficiency and timeliness of loans, and thus capital, to small businesses; banks and CDFI's are already looking at ways to adopt some of these models in their own practices. However, they are largely unregulated and tend to cost much more than traditional bank loans. In order for this industry to continue in a responsible manner, three major issues must be addressed: (1) lack of transparency in rates, terms, and fees; (2) lack of regulatory oversight and (3) limited access to financial education for small businesses so they can make the best choice for themselves and their businesses.

Community Development Lending & Investments for Economic Development

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

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

[78] Corkery, M. "Pitfalls for the Unwary Borrower Out on the Frontiers of Banking", *NY Times*, Sept 13, 2015
[79] Baker, T. "Marketplace Lenders are a Systemic Risk", *American Banker*, August 17, 2015.

Activities that support equitable economic development, but do not meet both the size and purpose test, or otherwise qualify for economic development credit, might still get CRA credit under another category. Equitable economic development can encompass multiple sectors and strategies. One specific strategy ANHD has been advocating for is to preserve and create quality jobs in the light manufacturing sector. A fundamental piece of this strategy is to ensure that New York City has adequate space and resources for manufacturing businesses to start-up, develop, grow, and expand. Manufacturing jobs have an average salary of about $45,000 — $52,000 a year, which adds far more wealth to the community than low-wage jobs like those found in the retail and service sectors. Manufacturing jobs also offer an entry place for people without a formal education or with limited English skills. Industrial spaces developed, managed, and operated by nonprofit organizations are best suited to support businesses that will create the kind of stable, good paying, quality jobs our communities need.

Manufacturing is just one strategy to create and preserve quality jobs. ANHD is also exploring ways to support small businesses in commercial corridors, especially "mom and pop" independent businesses, women and minority-owned businesses overall, and businesses in immigrant communities, as well as innovative and effective approaches to workforce development. All strategies should be encouraged.

The CRA allows for many ways that banks can contribute to economic development, either directly with businesses or through government entities, loan pools, Community Development Financial Institutions (CDFIs), or other intermediaries and investment vehicles that serve businesses meeting the size and purpose test. Because this category is both limited and misunderstood, it is highly underutilized and not as effective as it could be. For one thing, as mentioned above, the "size" and "purpose" tests are very specific tests, but not necessarily tied to the quality of jobs impacted. For example, technically a new minimum wage job is creating a job for a low-income person who will remain low-income, but that is not necessarily going to help that person move out of poverty. On the other hand, it can be harder to demonstrate jobs that are created for a formerly low- or moderate-income person to move into a middle-income job, or even into a lower-wage job with a clear path to better pay and/or benefits, both of which would have a longer-term positive impact on the person and community. Also, there are clear metrics to determine if a home is going to a low- or moderate-income borrower or if an apartment is affordable and to whom it is affordable. No such metric exists for business rent.

Loans and investments in certain vehicles automatically meet the purpose test for economic development credit under the CRA, such as New Markets Tax Credits (NMTC), Small Business Investment Corporations (SBICs), and SBA 504 loans. The proposed regulations also include CDFI's. While we would prefer that all loans and investments be evaluated for their impact, especially SBICs, if a pre-approved list is going to remain, we are pleased that CDFIs were added. If an activity does not fall into those automatic categories, banks must provide clear evidence and support as to why a deal meets a community development purpose, and more specifically, an economic development purpose. This is especially challenging for businesses outside of an LMI geography or an area targeted for redevelopment that must show the jobs benefit LMI people, with little guidance on what income levels qualify or, better yet, how to show that the job is moving someone out of poverty. Yet, for businesses inside the qualified geographies, any loan that supports a business that creates or retains any permanent jobs could qualify, even if the jobs do not benefit low- and moderate income people at all. Regulators should concentrate more on documented needs and how the loans and investments are meeting those needs. ANHD believes that the CRA should be more intentional in how it measures and incentivizes activities that support equitable economic development, so as to create and retain quality jobs and infrastructre to support those businesses and workers. This is what our City needs to rebuild the middle class and create pathways to opportunity for many New Yorkers who havfew options available to them except for lower-paying service sector jobs.

Tables 49-51: ECONOMIC DEVELOPMENT: The low numbers demonstrate both how under-utilized the category is, and the mismatch between the category and the range of community development activities that contribute to quality jobs.

TABLE 49

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 Loans (#	CD Loans ($)	CD Loans for Ec. Devt (#)	CD Loans for Ec. Devt ($)	% for Econ. Devt (#)	% for Econ. Devt ($)	CD Loans including MF (#)	CD Loans including MF ($)	% for Econ. Devt (#)	% for Econ. Devt ($)
Largest Banks										
M&T	38	$335.04	4	$18.42	10.5%	5.5%	41	$507.54	9.8%	3.6%
Santander	16	$63.50	2	$3.10	12.5%	4.9%	18	$65.22	11.1%	4.8%
TD Bank	9	$28.27	1	$0.60	11.1%	2.1%	9	$28.27	11.1%	2.1%
Capital One	26	$161.07	1	$1.00	3.9%	0.62%	71	$629.77	1.4%	0.2%
Chase	54	$387.00	0	$0.00	0.0%	0.0%	134	$621	0.0%	0.0%
Citibank	30	$762.64	0	$0.00	0.0%	0.0%	38	$1079	0.0%	0.0%
Bank of America	21	$89.97	0	$0.00	0.0%	0.0%	121	$153.79	0.0%	0.0%
Smaller Banks										
Dime	1	$0.10	1	$0.10	100%	100%	42	$164.50	2.4%	0.06%
Signature	69	$388.70	68	$384.20	98.6%	98.8%	222	$1089	30.6%	35.3%
Astoria	13	$19.10	12	$18.80	92.3%	98.4%	88	$153	13.6%	12.3%
Ridgewood	4	$3.25	3	$2.75	75%	84.6%	39	$50.45	7.7%	5.4%
Apple Bank	5	$11.40	1	$1.00	20%	8.8%	13	$24.88	7.7%	4%
NY Community	44	$238.66	2	$4.35	4.6%	1.8%	442	$3620	0.5%	0.12%
BankUnited	2	$2.10	0	$0.00	0.0%	0.0%	2	$2.10	0.0%	0.0%
Flushing	1	$5.00	0	$0.00	0.0%	0.0%	137	$216.83	0.0%	0.0%
Popular Comm.	8	$11.45	0	$0.00	0.0%	0.0%	18	$20.72	0.0%	0.0%
Carver	11	$11.97	0	$0.00	0.0%	0.0%	13	$12.92	0.0%	0.0%
Valley National	0	$0.00	0	$0.00	-	-	0	$0.00	-	-
Wholesale Banks										
Goldman Sachs	5	$76.60	2	$68.40	40%	89.3%	Not Applicable			
Morgan Stanley	15	$169.23	4	$10.85	26.7%	6.4%	Not Applicable			
Deutsche Bank	23	$144.48	4	$5.75	17.4%	4%	Not Applicable			
BNY Mellon		$284.20		$0.00		0.0%	Not Applicable			

TABLE 50

CRA-QUALIFIED INVESTMENTS 2014: PERCENTAGE TO ECONOMIC DEVELOPMENT ($ MILLIONS)

	Total (#)	Total ($)	For Ec. Devt. (#)	For Ec. Devt. ($)	% for Ec. Devt (#)	% for Ec. Devt. ($)
Largest Banks						
Capital One	8	$65.28	5	$0.53	62.5%	0.8%
Chase	22	$417	0	$0.00	0.0%	0.0%
Citibank	24	$712	0	$0.00	0.0%	0.0%
M&T	5	$15.00	0	$0.00	0.0%	0.0%
TD Bank	1	$19.37	0	$0.00	0.0%	0.0%
Bank of America	8	$112.36	0	$0.00	0.0%	0.0%
Santander	0	$0.00	0	$0.00	-	-
Smaller Banks						
Dime	3	$1.50	2	$0.50	66.7%	33.3%
Astoria	1	$15	0	$0.00	0.0%	0.0%
BankUnited	1	$13.10	0	$0.00	0.0%	0.0%
NY Community	3	$18.55	0	$0.00	0.0%	0.0%
Popular Comm.	7	$20.48	0	$0.00	0.0%	0.0%
Valley National	5	$5.09	0	$0.00	0.0%	0.0%
Ridgewood	5	$16.30	0	$0.00	0.0%	0.0%
Carver	4	$0.98	0	$0.00	0.0%	0.0%
Wholesale Banks						
Deutsche Bank	9	$367	3	$5.00	33.3%	1.4%
Goldman Sachs	6	$265	0	$0.00	0.0%	0.0%

TABLE 51

GRANT DOLLARS 2014: PERCENTAGE TO ECONOMIC DEVELOPMENT ($ MILLIONS)

	Total ($)	For Ec. Devt. ($)	% for Ec. Devt. ($)
Largest Banks			
Santander	$0.18	$0.08	41.1%
Bank of America	$3.00	$1.02	34%
Capital One	$7.88	$2.36	30%
M&T	$0.82	$0.20	24%
Chase	$10.44	$0.73	7%
Citibank	$15.39	$0.63	4.1%
TD Bank	$1.56	$0.00	0.0%
Smaller Banks			
Astoria	$0.20	$0.12	58%
Ridgewood	$0.11	$0.05	50%
Valley National	$0.05	$0.02	39.2%
Apple	$0.10	$0.03	30.1%
BankUnited	$0.13	$0.04	27.5%
Carver	$0.03	$0.01	25%
Popular Comm.	$0.29	$0.04	14%
NY Community	$1.82	$0.20	11%
Dime	$0.08	$0.00	0.0%
Wholesale			
Deutsche Bank	$4.89	$2.40	49%
Goldman Sachs	$12.27	$2.58	21%

With a few notable exceptions, the percentage of loans and investments under the economic development category is very small. Table 49 demonstrates this using two measures for community development lending, while Tables 50 and 51 look at CRA-qualified investments and grants. For this report, ANHD defines community development lending as loans used to build and preserve affordable housing, promote jobs and economic development, provide community services, and improve and revitalize City neighborhoods. Under the CRA lending test, banks can also receive community development lending credit on CRA exams for permanent financing of multifamily buildings where rents are affordable to low — and moderate-income tenants, or perhaps where the building is otherwise determined to contribute to neighborhood revitalization and stabilization. ANHD does not include them in community development loans — they are evaluated separately in the analysis of multifamily lending in New York City. In order to demonstrate how the economic development category is utilized, ANHD calculates the percentage two ways – first using our definition, and second by including multifamily community development loans. Given that we do not include economic development in our overall volume index or quality score, this is simply for the purposes of understanding how the category is used and how it might be improved. Of course, the second metric reduces the percentage of loans to economic development for any bank that made even one multifamily community development mortgage loan. The distinction is most stark in banks that do large volumes of multifamily lending, with many of those loans also counting for community development credit. For example, Signature, Dime, and Astoria report that nearly all of their nonresidential community development loans supported job creation, but the percentages drop considerably when we factor in their larger volumes of multifamily community development lending. but the percentages drop consirably when we factor in their larger volumes of multifamily community development lending.

A few banks, including Capital One and TD Bank, continue to implement second look programs to facilitate access to credit and small business services for not-yet bankable small businesses. Applicants declined for bank loans will first be given a "second look" by the bank and then, if still denied, will be referred to select, approved, nonprofit lenders for other options and supports. These lenders help applicants secure financing and provide technical assistance to grow the business. Banks typically refer applicants to CDFI's, and often these same banks will make investments of grants and capital into the CDFI's to support this work. TD Bank made a $500,000 grant to Acción over three years to provide underserved small business owners access to capital as well as financial education. This supports affiliates of Acción throughout the east coast. Capital One works more with BOC and TruFund Financial Services. Capital One also makes below-market loans to nonprofit CDFI's that work on a range of areas within lower-income communities, including economic development. BankUnited too partners with CDFI micro lenders and is working to develop a second look program. Similarly, a number of banks make efforts to contract with small businesses in their supply chains. While this alone does not get CRA credit, it is a factor considered in conjunction with other financing and services related to business development.

Many institutions, including Bank of America, Citibank, Chase, Capital One, and Bank of NY Mellon among others, also make grants to support workforce development and technical assistance to organizations that support small businesses. Bank of NY Mellon has for years supported workforce development targeted to specific high-needs populations. Citibank has been a lead funder of a number of collaborations with New York City's Department of Small Business Services (SBS), some of which have funded neighborhood based groups to provide workforce development services for underserved populations and supports for immigrant businesses. In 2014, they funded two organizations — **WHEDCO** and **Fordham-Bedford Community Services —** to help establish, formalize, and grow homebased childcare providers and childcare centers in the Bronx, thus creating meaningful opportunities for employment, particularly among immigrant women. They also helped launch the **NYC Immigrant Business Initiative** which funds five community based organizations to help immigrant-owned businesses start, operate, and grow. Three ANHD members received funding from this initiative – **the Business Outreach Center Network, Make the Road New York,** and **AAFE's Renaissance Economic Development Corporation.**

Chase has also long supported youth employment and other workforce development programs. They launched a new initiative in 2014, New Skills at Work, which is focused on reducing the "skills gap" in order to open up job opportunities to more unemployed or low-wage workers. Their first report revealed technology and healthcare as two sectors that they believe are poised for growth in NYC that can offer opportunities for underserved New Yorkers to move into, and their participation in the Workforce Funders Initiative and others appear to be furthering these goals.

A number of banks also support small businesses that are considered "poised for growth," meaning that with additional training, mentoring, and networking opportunities they have the potential to grow and employ more people. Goldman Sachs's 10,000 Small Businesses initiative is one example of this where participating small businesses in New York City receive intensive training at LaGuardia on all aspects of running a business, including staffing, loans, and business plans, as well as the opportunity to access capital, although that is not a requirement. Santander and Citibank both support Interise's Streetwise MBA curriculum geared towards underserved inner-city small businesses. Capital One provides technical support to small businesses and also supports organizations and competitions related to the technology fields and improving access to technology for all types of businesses. Popular Community Bank, too, partners with organizations that provide technical support for entrepreneurs.

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

A few new examples from 2014 stand out as demonstrating a commitment to equitable economic development (see our prior report for examples from 2013):

- **Astoria Bank** has been a long-time supporter and lender to the Greenpoint Manufacturing and Design Center (GMDC). GMDC is the premier nonprofit industrial developer in New York City. GMDC rehabilitates and manages manufacturing spaces in Northern Brooklyn geared towards small manufacturing enterprises, artisans and artists. Together, their buildings represent more than 500,000 sq. ft of space, and are occupied by over 100 businesses that together employ more than 500 people, with average wages over $47,000, which is well over what the retail and service sectors pay. Astoria Bank currently holds the mortgages on four GMDC buildings, two of which were refinanced in 2014. Astoria Bank has also made a line of credit available.
- **Change Capital Fund.** In 2014, 18 banks and foundations, including six banks in this study (M&T Bank, Deutsche Bank, Citibank, Chase, Capital One, and Goldman Sachs), committed $5 million over four years to five CDCs ($1 million each) to help them retool and refocus their strategies and develop new business models to address persistent poverty more effectively. All five initiatives incorporate preserving and increasing access to quality jobs through education, workforce development, and support for small businesses.
- **Citibank's** continued commitment to minority- and women-owned businesses, including immigrant businesses. Examples include support for WHEDco's **Home-Based Childcare Training Institute Program** (HBCC), which supports women to develop their professional skills in childcare, become licensed childcare providers and establish and sustain their own childcare business over time; **Grameen America's Harlem micro-lending pilot program**, designed to reach lower-income African and Caribbean immigrants and African-Americans; and the **NYC Immigrant Business Initiative.**
- **Carver Bank** continues to participate in the **MTA's small business mentoring program** to provide loans and technical assistance to MWBE contractors. These loans fell under the traditional small business lending, and thus are not in the economic development numbers, but still represent an intentional effective way to support MWBE entrepreneurs increase access to capital, build their businesses, and expand access to jobs.

Again, these are just examples and not a comprehensive list of activities banks can participate in to support equitable economic development. ANHD believes this should be an integral part of a bank's CRA portfolio as it strives to meet the range of needs of the lower-income people and neighborhoods in New York City. At the same time, given the confusion of the rules under the CRA, the numbers do not necessarily capture all activities that are creating quality jobs. If this category is to have its intended impact, we believe that the category should capture as many types of economic development as possible to incentive banks to invest in quality jobs. ANHD makes the following recommendations to banks and regulators, which would of course need to be coupled with bold changes to City and State zoning and investments to complement these projects.

Recommendations for Regulators:

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

Recommendations for Banks:

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

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

PHILANTHROPY / CRA-ELIGIBLE GRANTS

Trends:

- The amount given in CRA-eligible grants decreased 3.4% ($2.31 million) in 2014 and the number of grants by 2%. Removing one outlier, however, shows that grant dollars increased 12.6% and the number of grants decreased by 4.6%.
- The amount of grant dollars going directly to neighborhood-based organizations decreased considerably — down 36% in 2014, with the number of grants flat. But again removing the outlier, the decrease was much more modest — down 1.2% by dollar and 2.6% by volume.
- Both statistics highlight the trend of larger grants to fewer organizations, making it harder for neighborhood-based organizations to have the necessary resources to carry out their missions.

Recommendations:

- Nonprofits rely upon grants in good times and bad, and thus banks should make an effort to sustain or increase grant-making each year, regardless of deposits or profits. This is the one area of the CRA where they do not get a return on investment.

- Implement high-performing, strategic philanthropic programs that work closely with the nonprofit sector, are accessible through an RFP, and have intentional goals. Grants to neighborhood based organizations that provide general operating support, affordable housing, and equitable economic development are particularly impactful.

CRA-eligible grant dollars decreased 3.4% (down $2.31 million) among the 19 banks for which we have data in 2013 and 2014. However, much of this swing is due to Goldman Sachs, which decreased its CRA-eligible grant-making in NYC by $8.35 million. Excluding Goldman Sachs, grantmaking actually increased by $6 million (12.7%). Going back to 2011, among 17 banks reporting in all four years, the decrease is slightly higher – down 3.6% ($2.5 million), but that rises to 17% when removing Goldman Sachs. Among the 15 banks that reported grants to neighborhood based organizations, collectively only 21% of their grant dollars went to neighborhood-based organizations (NBO's), but percentages vary by bank. In 2013, among the 17 banks for which we had the data, collectively 30% went to NBO's.

In 2014, Chase gave the most money in grants, followed by Goldman Sachs and Citibank. And, same as in 2013, Capital One, Citibank, and M&T dedicated the highest percentage of local deposits to grants. M&T's deposit base is much lower than the other large banks, but Capital One and Citibank have quite large deposit bases in the City with $24 billion and $59 billion, respectively.

For years, ANHD had been calling on Goldman Sachs to have a more open, transparent grantmaking process and we were very pleased when they implemented a new community development grant program in 2013 and 2014, run out of the Urban Investment Group. They issued an RFP with clear guidelines that enabled the funds to go directly to neighborhood-based organizations and collaboratives that funded CDCs and other community development organizations. It represented the best practices ANHD has long been promoting and it got results. **We are profoundly disappointed that the program was discontinued in 2015, which means both a lack of funding for CDCs and leaves a hole in the Change Capital Fund.** Goldman Sachs is one of the largest banks in the city and one that takes a serious approach to its community development loans and investments. Their philanthropic dollars should be equally strategic such that it complements and strengthens that same work. Yet, quite the opposite seems to be true; while they put out large dollar amounts, there is little strategy in how it is distributed and even which dollars will go towards community development, as evidenced by the sharp drop in CRA-eligible grants in 2014, even with the community development grant program still in place.

TABLE 52
GRANTS MADE BY BANK 2011 THROUGH 2014

	2011		2012		2013		% chg 2012-13		2014		% chg 2013-14		% chg 2011-14	
	#	$	#	$	#	$	#	$	#	$	#	$	#	$
Largest Banks														
Bank of America	78	$3.80	80	$3.50	64	$3.00	-20%	-14.3%	61	$3.00	-4.7%	0.0%	-21.8%	-21.1%
Capital One	232	$4.07	285	$7.12	267	$7.27	-6.3%	2.1%	297	$7.88	11.2%	8.4%	28%	93.7%
Chase	132	$13.56	129	$9.60	135	$9.83	4.7%	2.5%	114	$10.44	-15.6%	6.2%	-13.6%	-23%
Citibank	163	$8.27	154	$9.97	137	$9.69	-11%	-2.8%	113	$15.39	-17.5%	58.9%	-30.7%	86.1%
HSBC	90	$1.53	93	$1.70	61	$1.03	-34.4%	-39.4%						
M&T	90	$0.66	124	$0.77	125	$0.72	0.81%	-5.5%	138	$0.82	10.4%	13.8%	53.3%	24.1%
Santander	38	$0.21	19	$0.13	7	$0.05	-63.2%	-62.4%	18	$0.18	157%	273%	-52.6%	-14.5%
TD Bank	102	$1.53	110	$1.56	128	$1.77	16.4%	13.6%	131	$1.56	2.3%	-11.7%	28.4%	2%
Wells Fargo	60	$4.13	43	$1.15	61	$1.67	41.9%	45.1%						
Smaller Banks														
Apple Bank	16	$0.08	16	$0.14	11	$0.06	-31.3%	-58.5%	11	$0.10	0.0%	70.6%	-31.3%	21.3%
Astoria	31	$0.19	31	$0.19	31	$0.19	0%	0%	33	$0.20	6.5%	4.2%	6.5%	4.2%
BankUnited	Not applicable (new to study in 2014)								16	$0.13				
Carver	15	$0.05	4	$0.01	15	$0.38	275%	4200%	11	$0.03	-26.67%	-92.20%	-26.67%	-39.14%
Dime	7	$0.07	9	$0.08	7	$0.08	-22.2%	-1.2%	5	$0.08	-28.6%	-1.2%	-28.6%	13.9%
Flushing*					5.3	$.06			3.3	$.03	-37.5%	-51.4%		
NY Community	119	$1.29	168	$1.07	221	$1.40	31.6%	30.9%	156	$1.82	-29.4%	30%	31.1%	41.2%
Popular Comm.	30	$0.13	36	$0.17	40	$0.34	11.1%	97.8%	40	$0.29	0%	-13.4%	33.3%	124%
Ridgewood	88	$0.17	115	$0.17	72	$0.08	-37.4%	-51%	97	$0.11	34.7%	29.3%	10.3%	-34.6%
Valley National	0	$0.00	0	$0.00	0	$0.00	0%	0%	5	$0.05	up frm 0	up frm 0	up frm 0	up frm 0
Wholesale														
Deutsche Bank	116	$4.70	125	$5.10	150	$5.26	20%	3%	117	$4.89	-22.00%	-6.98%	0.86%	4.00%
Goldman Sachs	75	$22.64	73	$22.74	108	$20.62	48%	-9.3%	140	$12.27	29.63%	-40.5%	86.7%	-45.8%
Morgan Stanley		$7.05		$7.83		$7.54		-3.8%		$6.88		-8.8%		-2.5%
Total (17 banks reporting 2011-14)	**1332**	**$68.48**	**1478**	**$70.14**	**11%**	**2.43%**	**1518**	**$68.27**	**2.71%**	**-2.67%**	**1487**	**$65.99**	**-2.04%**	**-3.3%**
* Emigrant, Flushing, Signature and Bank of NY Mellon do not report grants to ANHD; Flushing estimate from CRA exam; BankUnited new to study in 2014														

In 2014, most retail banks increased the amount given in grants. Santander's CRA-eligible grant dollars increased the most, but their grant budget is considerably smaller than other banks of its size. In fact, Santander dedicates the smallest percentage of grant dollars to deposits, even lower than Chase which has nearly fifty times its deposit base. Santander, with $8.7 billion in local deposits in 2014, gave just $49,000 in 2013 and that increased to $182,500 in 2014. M&T, with just $3 billion in local deposits, gave over $824,000 in grants. TD Bank and Popular Community Bank decreased grant dollars the most, down 12% and 13%, respectively. The number of grants by TD Bank increased slightly and Popular Community's remained the same. Chase, Citibank, and New York Community Bank, on the other hand, increased dollars but decreased the number of grantees, indicating larger grants to a smaller set of organizations. This is a trend that seems to be happening throughout the industry among bank and non-bank foundations, and one which often results in fewer dollars for the smaller neighborhood based organizations.

Deutsche Bank continues to embody ANHD's grantmaking principles through consistently supporting local neighborhood based organizations through citywide initiatives and organizations like the Change Capital Fund, Enterprise Community Partners, and the Local Initiatives Support Corporation. Deutsche Bank also continues to lead with its SHARE and Working Capital programs that provide critical seed grant money and soft loans in the early development phases of affordable and supportive housing projects. In 2012, the RFP was specifically expanded to include economic development projects. Deutsche Bank also understands that CDFIs and credit unions that focus on small business lending often provide very high-touch, labor intensive services that banks do not provide. As such, they give grants to complement their loans to and investments in such organizations.

TABLE 53

2014: HIGHEST PERCENTAGES OF GRANTS TO NYC DEPOSITS ($ MILLIONS)

	2014		
	Grants (#)	Grants ($)	% of Deposits
Largest Banks			
Capital One	297	$7.88	0.033%
Citibank	113	$15.39	0.026%
M&T	138	$0.82	0.026%
Smaller Banks			
NY Community	156	$1.82	0.028%
BankUnited	16	$0.13	0.013%
Popular Comm.	40	$0.29	0.012%
Wholesale Banks			
Morgan Stanley		$6.88	0.031%
Goldman Sachs	140	$12.27	0.019%
Deutsche Bank	117	$4.89	0.010%

Neighborhood based organizations (NBO's) are locally based, many of which work on-the-ground to empower their communities and improve their neighborhoods. Giving directly to NBO's demonstrates an intentional commitment to New York City neighborhoods. General operating funds in particular are considered very valuable as they give organizations the flexibility they need to carry out their missions day-to-day and respond to new and emerging needs. One challenge nonprofits like ANHD members often face is the changing nature of grant priorities. The work our members do – from specific projects such as building and managing affordable housing to longer-term organizing for social change – takes time and requires funding that will support staff and resources over the long-term, with funding that is flexible enough to understand the ebbs and flows of the nonprofit work. This may not be flashy, but it is proven to be effective. Multiyear funding and general operating support are two ways that foundations can demonstrate their commitment to the grassroots community development and organizing work CDCs do so effectively.

While we are concerned that the amount of grant dollars going directly to neighborhood-based organizations decreased by 35% in 2014 among the 15 banks that provided this breakdown in both years, much of that decrease is once again due to Goldman Sachs. Removing Goldman, the dollars decrease by just 1.2%, from $8.3 million to $8.2 million. Chase, one of the largest funders by dollar amount, doesn't keep track of these grants and we have heard that they are giving less to NBO's in recent years as their grantmaking strategy has changed. As one of the largest banks in the City with the largest grant budget, Chase should ensure that a considerable percentage of their grant dollars are going to neighborhood based organizations.

Collectively, the 16 banks that reported this data in 2014 made just 21% of their grant dollars to neighborhood based organizations and percentages vary by bank. On average, in 2012 and 2013, the percentage of dollars overall remained close to 50%. In 2014 that dropped to 42%.

In both 2013 and 2014, M&T, Santander, and TD Bank ranked highest among the largest banks. Apple, NY Community Bank and Ridgewood led the smaller banks. In general, the smaller banks tend to give more of their grant dollars to neighborhood-based organizations, but they also are less likely to have a targeted strategy and process to ensure those dollars go to high-impact organizations that address the root causes of poverty, such as access to permanently affordable housing and quality jobs. However, we do know that some banks are forming stronger relationships with community development organizations and giving dollars as well as talent. Dime, for example, contributes to Brooklyn Legal Services A and serves on their board, and they are forging similar relationships with Los Sures, exploring ways to support them with grant dollars and we hope community development loans and investments in the future. Valley National, too, as part of their CRA plan committed to increasing CRA grant dollars and connecting them to their strategies to support their CRA and community development lending and investment.

TABLE 54

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

	NBO Grants (#)	NBO Grants ($)	% (#)	% ($)
Largest Banks				
M&T	97	$0.53	70.3%	64.3%
Santander	11	$0.10	61.1%	56.2%
TD Bank	56	$0.61	42.8%	39.1%
Smaller Banks				
Apple Bank	9	$0.09	81.8%	93.8%
NY Comm.	110	$1.44	70.5%	79%
Ridgewood	78	$0.08	80.4%	77.3%
Carver	9	$0.02	81.8%	64.2%
Wholesale Banks				
Deutsche Bank	25	$1.46	21.4%	30%
Goldman Sachs	24	$1.96	17.1%	16%

Capital One and M&T Bank are long recognized for giving general operating funds and for supporting grassroots community organizing. The fact that they do it year after year shows an understanding of local needs and a commitment to systemic change, including supporting community organizing for policy change that will have an impact citywide and beyond. While not reflected in these numbers, Capital One also introduced a new program for CDCs in 2015 called Blueprints to Success that is providing $1.95 million in grants and loans to support the predevelopment activities necessary to begin construction of deeply, permanently affordable housing in low-income areas of Brooklyn, the Bronx, and upper Manhattan. BankUnited, which is new to New York City, has committed to making all of their grant dollars CRA-eligible and many of those for general operating support.

Another way to increase the impact of giving in all areas of community development is through strategic collaboratives that work directly with local organizations, such as the Neighborhood Opportunities Fund (NOF), which funded the high-impact Initiative for Neighborhood and Citywide Organizing (INCO) and Strategic

Neighborhoods Initiative. Since its inception, NOF granted over $5.2 million to 23 INCO groups. By the most conservative of estimates, this investment translated into $1.3 billion in affordable and low-income housing dividends and has kept countless numbers of New Yorkers in their homes. While NOF and INCO have since wound down, a number of the same banks continue to collaborate in the new Change Capital initiative that has a mission to alleviate poverty in New York City. In 2014, Change Capital identified five CDCs that are receiving $1 million over four years.

M&T and Deutsche Bank are the only two banks that support a larger collaborative to support community-based organizations better engage in the rezoning process. The mayor is rezoning major sections of the city and it is critical that community members have the knowledge and power to engage in these processes. This collaborative provides funding and access to technical support for training, capacity building and grassroots organizing throughout the process.

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

PART III

RECOMMENDATIONS

#1

COMMIT TO A HIGH QUANTITY AND HIGH QUALITY OF REINVESTMENT.

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

#2

REGULATORS SHOULD DO EVERYTHING IN THEIR POWER TO INCREASE THE EFFECTIVENESS OF THE CRA.

- **Require a CRA Plan as a condition of every merger and acquisition.**

- **Modernize the CRA t**hrough the CRA Q&A revision process.

- Implement other **recommendations that came out of the EGRPRA process t**hat can be done through regulatory changes.

- **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.

#3

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

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

- Banks must make responsible multifamily loans based on realistic incomes and expenses and avoid lending to bad-actor landlords. In cases where banks do lend to such landlords, they should have a concrete plan to protect tenants from harassment and abusive rent increases.
- 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.

#4

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

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

#5

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

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

#6

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

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

- Banks should support the smaller and most effective nonprofit developers with targeted affordable products to build and preserve affordable housing and create quality jobs. This includes the following (see community development lending section for more details):
  - **Acquisition and predevelopment costs.** Capital, equity, and low-cost lines of credit; grants;"soft loans;" and low-cost lines of credit to acquire land and cover myriad other predevelopment costs.
  - **Smaller loans and smaller deals.** Often, smaller properties with fewer than 50 units are what neighbor hood-based CDCs have access to, especially when competing with larger for-profit developers. They need affordable capital to take advantage of all opportunities to build and preserve affordable housing.
  - **Appropriate risk assessment.** Nonprofit CDC developers often get charged additional fees and receive less desirable loan terms because they are seen as riskier than more-resourced for-profit developers. Banks should reconsider their assessment to support proven high-capacity nonprofits.

- **Banks and regulators must look at the overall impact of the activity** with respect to the quality of jobs created, the quality of housing, and the sustainability of the impact over time. They must ensure that the loan meets the needs of local communities and does not cause harm.

#7

INCREASE CRA ACTIVITY TO PROMOTE EQUITABLE ECONOMIC DEVELOPMENT.

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

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

- **Banks** should dedicate more money and resources to equitable economic development, including but not limited to: financing space for manufacturing; loans to small businesses in LMI tracts and owned by LMI, women, and minorities; loans that support projects to create, retain and preserve quality jobs; grants and technical assistance to organizations that support small businesses; targeted workforce development; commercial revitalization.

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

#8

SUPPORT LOW- AND MODERATE-INCOME HOMEBUYERS AND HOMEOWNERS THROUGH DIRECT LOANS, QUALITY PRODUCTS, AND RESPONSIBLE FORECLOSURE PREVENTION AND RESPONSE.

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

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

#9

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

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

APPENDIX B

FULL METHODOLOGY

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

The report includes both year-to-year comparisons and analysis of the current year's data. In order to make fair comparisons, only institutions that provided information in both years (2013-14) were included in trending analysis year to year. For this reason, there is some data that banks provided for 2013 or 2014 that we could not use for year-over-year analysis since the same information was not provided in the previous year. Appendix A details all information that we received from each lender.

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

- CRA Wiz for 1-4 family lending (HMDA data), multifamily lending (HMDA data used when multifamily lending not provided by the bank), small business lending, and NYC deposits.
- FDIC for bank 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 Volume Index and Quality Score

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

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

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

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

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

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

Additional Factors

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

Multifamily housing: physically and financially distressed housing:

The Building Indicator Project (BIP) is a database created by ANHD-member organization University Neighborhood Housing Program. UNHP's BIP database assigns properties to a particular lender based on records pulled from the City's Register (ACRIS) which records mortgage activity in New York City. The most recent Party 2 on a mortgage document (excluding satisfactions) is used, and mortgages recorded in the past 20 years (August 1995 through September 2015) are counted in this analysis.

The BIP database contains information about each building, including violations, liens, and debt and computes a "BIP Score." A BIP score over 800 indicates the building is very likely to be in a state of financial and/or physical distress.

Another indicator we analyzed is a simpler indicator of physical neglect, based on the number of B & C violations. We believe a building is very likely to be physically distressed if the ratio of all open B & 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 home purchase 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 / banking score:

- **Overdraft policies: The Pew Charitable Trusts studies were used for overdraft polices in 2014 (2015 report). For banks not in that study, we used the most recent data available from the 2013 survey, online materials, and in print.**
- **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 BankOne national account standards.**

APPENDIX C

SUMMARY OF RESULTS FOR ALL 25 BANKS

Year	Total for 2014	# Responses 2014	# Banks for which we have data in both 2013-14
Staffing			
Community Development Staff Serving NY	357	21	19
Community Development Staff Located in NYC	258	21	19
Staff supporting CRA Activity	370	19	16
CRA Staff Located in NYC	234	20	17
Average % Community Development Staffing located in NYC	72.81%		
Branches & Deposits (billions)			
Tier 1 Capital	$722.93	25	25
Total Deposits (National)	$4968.45	25	25
Total Deposits in NYC (b)	$991.92	25	25
Total NYC Branches	1433	21	21
Low-Income (LI) Branches	139	21	21
Mod. Income (MI) Branches	324	21	21
Average % branches in low- and moderate-income neighborhoods	33.03%		
Average % branches in LI Census Tracts	9.20%		
Multifamily (MF) Lending (m)			
MF Lending (# Loans)	3818	21	20
MF Lending (in $)	$17149.35	21	20
MF Lending in LMI tracts (#)	1911	21	20
MF Lending in LMI tracts ($)	$7356.83	21	20
Average % of MF lending in LMI neighborhoods (#)	43.94%		
Average % of MF lending in LMI neighborhoods ($)	38.89%		
MF CD Lending (#)	1026	19	18
MF CD Lending ($)	$5916.18	19	18
Average % of MF Community Development Lending (#)	25.98%		
Average % of MF Community Development Lending ($)	29.58%		
Community Development Lending (millions)			
Community Development Lending (# Loans)	395	21	20
Community Development Lending (in $)	$3193.72	22	21
Average Community Development Lending as % of Deposits	1.16%	22	21
CD Loans to Nonprofits (#)	150	19	17
CD Loans to Nonprofits ($)	$778.00	20	18
Average % Community Development Loans to NFPs (#)	51.9%		
Average % Community Development Loans to NFPs ($)	37.0%		
CD Loans to CDC's (#)	16	16	13
CD Loans to CDC's ($)	$27.33	17	14
Average % Community Development Loans to CDCs (#)	5.1%		
Average % Community Development Loans to CDCs ($)	1.0%		
Affordable Housing Loans (#)	120	20	18
Affordable Housing Loans ($)	$1948.65	21	19
Affordable Housing to NFPs (#)	47	19	17
Affordable Housing to NFPs ($)	$540.04	20	18
Economic Development Loans (#)	110	21	19
Economic Development Loans ($)	$534.75	22	20
Small Business Lending (m)			
Small Loans to Businesses (#)	99933	21	21
Small Loans to Businesses ($)	$3612.82	21	21
... in LMI tracts (#)	32943	21	21
... in LMI tracts ($)	$993.56	21	21

Average % Small Loans to Businesses LMI neighborhoods (#)	37.71%			20
Average % Small Loans to Businesses LMI neighborhoods ($)	36.17%			20
Small Loans to Small Businesses (Revenue <$1M) (#)	29606	21	21	
Small Loans to Small Businesses (Revenue <$1M) ($)	$1033.52	21	21	
... in LMI tracts (#)	10101	21	21	20
... in LMI tracts ($)	$331.96	21	21	20
Average % Small Loans to Small Businesses LMI neighborhoods (#)	38.31%			20
Average % Small Loans to Small Businesses LMI neighborhoods ($)	37.84%			20
Average % Small Loans to Small Businesses LMI neighborhoods (#)	31.62%		27.2%	
Average % Small Loans to Small Businesses LMI neighborhoods ($)	30.89%		28.8%	
CRA-Eligible Investments				
CRA Qualified Investments (#)	131	20	19	21
CRA Qualified Investments ($)	$2353.28	21	20	22
Average CRA-qualified investments as % of Deposits	0.48%			22
CRA Qualified Investments to NFPs (#)	16	18	16	20
CRA Qualified Investments to NFPs ($)	$111.81	18	16	20
Average % CRA-qualified investments with nonprofit sponsors (#)	11.64%			
Average % CRA-qualified investments with nonprofit sponsors ($)	16.69%			
LIHTC (#)	38	19	18	20
LIHTC ($)	$525.00	19	18	20
NMTC (#)	6	15	14	17
NMTC ($)	$33.71	15	14	17
CRA Qualified Investments for Economic Development (#)	10	17	14	
CRA Qualified Investments for Economic Development ($)	$6.03	17	14	
1-4 Family Home Mortgage Lending (m)				
Home Purchase Loans (#)	13610	21	20	20
Home Purchase Loans ($)	$7464.60	21	20	20
Home Purchase Loans to LMI borrowers (#)	1185	21	20	20
Home Purchase Loans to LMI borrowers ($)	$177.29	21	20	20
Average % of Lending to low- and moderate-income Borrowers (#)	15.02%			
Average % of Lending to low- and moderate-income Borrowers ($)	9.19%			
Refinance Loans (#)	4095	21	20	20
Refinance Loans ($)	$1809.76	21	20	20
Refinance to LMI borrowers (#)	494	21	20	20
Refinance to LMI borrowers ($)	$72.00	21	20	20
Average % of Lending to low- and moderate-income Borrowers (#)	12.84%			
Average % of Lending to low- and moderate-income Borrowers ($)	6.15%			
Philanthropy (millions)				
Total Philanthropic Giving (National) (#)	9146	17	15	17
Total Philanthropic Giving (National) ($)	$383.76	19	18	19
CRA Eligible Grants in NYC (#)	1506	19	18	19
CRA Eligible Grants in NYC ($)	$66.14	20	19	20
Average % of Deposits Dedicated to Philanthropy (NYC)	0.012%			
Grants to Neighborhood Based Organizations (#)	594	17	14	17
Grants to Neighborhood Based Organizations ($)	$10.26	17	14	17
Average % grants to Neighborhood Based Organizations (#)	45.96%			
Average % grants to Neighborhood Based Organizations ($)	42.46%			
Reinvestment activity (millions)				
Total Reinvestment (includes all banks, whether they reported on some or all categories)	$12110.58			
Average % of Reinvestment to Deposits	5.60%			
Overall Index (Total Reinvestment divided by total deposits)	1.22%			

APPENDIX D
SAMPLE ANHD ANNUAL REINVESTMENT SURVEY

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

- **Bank Name / Address:**

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

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

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

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

Please provide the following data:

Branching: Branching (2010 census tracts)
- Total Branches in NYC
- Branches in NYC in low-income census tracts
- Branches in NYC in moderate -income census tracts

Please list any government programs (City, State, and or Federal) BANK participated in 2014 to increase access to unbanked/under-banked New Yorkers

What internal programs, products and/or practices did BANK offer in 2014 that are accessible to and/or targeted to immigrant and low- and moderate-income New Yorkers?

Community Development and CRA-related Staffing

We are requesting the following information concerning Bank's staffing as of December 31, 2013/2014:
- 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 information: below
- CD Staff Serving NYC and how many are located in NYC
- Staff supporting CRA Activity and how many are located in NYC

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

- (Yes/No)

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

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

Community Development Lending

Community development loans are loans to borrowers for affordable housing rehabilitation and construction, neighborhood revitalization, small business development, and job creation initiatives as well as loans to community loan funds and not-for-profit organizations that serve primarily LMI households. We are requesting the following information concerning Bank's community development lending in 2014.

(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)

P**lease 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 2014:
(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 2014 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

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

CRA-Qualified Investments in New York City

CRA-qualified investments are a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. For example, banks may purchase state and local government bonds that fund the construction or rehabilitation of affordable housing. For calendar year 2014

Please fill in the requested above information:

CRA-Eligible Investments (m)

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

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

CRA-Eligible Grants (Philanthropy)

We are requesting the following information concerning Bank's CRA-eligible grants in 2014:

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

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

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

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

Please fill in the requested above information:

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

Development of a Local CRA Plan

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

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

Community Responsiveness and Innovativeness

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

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

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

GLOSSARY OF TERMS AND ACRONYMS

Bank Classifications as defined by the FFIEC and OCC.

Retail Savings and Commercial Banks:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Low-Income: A family whose income is less than 50% of the Area Median Income (AMI). New York City is part of the New York Metropolitan Area with an AMI $68,006 (low-income $34,003) in 2014. Using slightly different geographic areas, and adjusting for the high cost of housing, HUD set 50% AMI for a family of four to be $34,450 in 2014.

Low Income Housing Tax Credit (LIHTC): An indirect Federal subsidy used to finance the development of affordable rental housing for low-income households. Its main purpose is to incentivize and leverage private-sector investment capital for the creation of rental housing units in each state affordable to households earning 60% or less of Area Median Income (AMI), or $40,804.

Moderate-Income: A family whose income is 50%-80% of the Area Median Income (AMI). New York City is part of the NY Metropolitan Area with an AMI $68,006 (moderate-income $34,003 – $54,404) in 2014. Using slightly different geographies and adjusting for the high cost of housing, HUD set 50%-80% AMI for a family of four to be $34,450 - $55,120 in 2014.

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

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

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

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

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

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

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

Sources:

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

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

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

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

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

ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.

50 Broad Street, Suite 1402
New York, NY 10004-2699
www.anhd.org

T 212.747.1117
F 212.747.1114
E info@anhd.org

anhd
ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.