

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEES ON FINANCE AND COMMUNITY DEVELOPMENT

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March 7, 2011
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HELD AT: Committee Room
250 Broadway, 16th Floor

B E F O R E:
DOMENIC M. RECCHIA, JR.
ALBERT VANN
Chairpersons

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Domenic M. Recchia, Jr.
Albert Vann
Helen D. Foster
Vincent J. Gentile
Melissa Mark-Viverito
Diana Reyna
Leroy G. Comrie, Jr.
Karen Koslowitz
Gale A. Brewer
Joel Rivera
Jimmy Van Bramer
Fernando Cabrera
Lewis A. Fidler
James S. Oddo

A P P E A R A N C E S

COUNCIL MEMBERS:

Vincent Ignizio
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Julissa Ferreras
Brad Lander

A P P E A R A N C E S (CONTINUED)

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Assistant Commissioner
NYC Department of Finance

Chris Brown
Assistant Commissioner for Communications
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Wendy Takahisa
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Dianne Dixon
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Benjamin Dulchin
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Rev. Lancelot Waldron
President
Queens Congregations United for Action

2 CHAIRPERSON RECCHIA: Good morning
3 everyone and welcome to today's Finance Committee
4 hearing, held jointly with the Committee on
5 Community Development, chaired by my good friend
6 and my colleague Council Member Al Vann. My name
7 is Domenic M. Recchia, Jr. I'm the Chair of this
8 wonderful committee.

9 Before we get started, first of all
10 I would like to thank the committees, everyone
11 working for the Finance Committee. I want to
12 thank Tanisha Edwards, Anthony Brito and all the
13 other staff. I'd also like to thank the staff of
14 the Committee on Community Development. I'd also
15 like to thank my personal Chief of Staff Karen
16 Becker. I'd also like to thank Al Vann's Chief of
17 Staff Dottie for working very, very hard on this.

18 Before we move forward, I'd like to
19 introduce all of my colleagues that are here. To
20 my left we have Leroy Comrie. To my right,
21 everyone knows my colleague Al Vann, and walking
22 through the door, we have Karen Koslowitz who is
23 joining us. As members come in, we have a lot of
24 hearings going on this morning. Some members will
25 be coming as soon as they can get out of these

2 other hearings.

3 As you may remember, on November
4 23, 2010, the Finance and Community Development
5 Committees held an oversight hearing to examine
6 the process used by the Banking Commission to
7 select depository banks, with an emphasis on the
8 Banking Commission's reliance on banks' commitment
9 to providing services and programs that address
10 the needs of the community in which it does
11 business.

12 As a result of the hearing, the
13 committees learned that the current members of the
14 Banking Commission, the Mayor, the Comptroller and
15 the Commission of Finance, did not have a process
16 in place to ensure that the designated banks were
17 meeting the needs of the communities in which they
18 do business.

19 So today, the Finance Committee and
20 the Community Development Committee will consider
21 Intro 485, which would require the Department of
22 Finance, which is the administrative arm of the
23 Banking Commission, to establish a classification
24 system that would rank the community service
25 involvement of banks that have been chosen to hold

2 the City's funds.

3 This classification would take
4 factors such as whether a bank addresses the
5 issues of small businesses, whether they're giving
6 out loans to small businesses, what they're doing
7 to help small businesses, and whether a bank works
8 with borrowers to restructure home loans,
9 modifications, what they're doing to keep people
10 in their homes and assisting those that are being
11 foreclosed on or those that need to get their
12 mortgages modified.

13 All of this must be taken into
14 account when classifying a bank's level of
15 community service. Such classifications would be
16 made publicly and would be made available to the
17 public so the taxpayers of New York can see what
18 these banks are doing for our communities. Not
19 that the banks say they're doing this or they're
20 doing that. We want to know exactly what they're
21 doing. You know, how many loans are they
22 modifying in a year, how many small business loans
23 they're giving out, how they're helping the local
24 businesses stay in business and stay in our
25 communities.

2 I want to make clear to my
3 colleagues and the public that this bill does not-
4 -repeat--does not request any information from
5 banks, nor does it prevent banks that choose not
6 to voluntarily provide their community service to
7 the Department of Finance from becoming City
8 depository banks. This bill simply requires the
9 Department of Finance to obtain certain
10 information about a bank from whatever source and
11 issue a community service rating for such a bank
12 and make that rating public. This is a
13 transparency bill and not a regulatory bill. This
14 would help us to see exactly where banks stand.

15 As you can see on the commercial,
16 you know Chase has these wonderful, beautiful
17 commercials saying what they're doing in our
18 communities. But one of the largest banks that we
19 get complaints on from people throughout New York
20 City is that Chase is not--repeat--not modifying
21 or helping people that are being foreclosed on in
22 New York City. This is an issue that must be made
23 public.

24 The Treasurer from the Banking
25 Commission, Elaine Kloss, will be testifying here

2 today and we thank you and we welcome you back.
3 We will also hear from representatives from
4 community groups. This is the first hearing on
5 Intro 485, so there will not be a vote today.

6 Before I turn the mike over to my
7 colleague, Al Vann, the lead sponsor of this bill,
8 I want to quickly remind all Council Finance
9 members that the preliminary budget hearings start
10 this Thursday, March 10th at 10:00 a.m. at the
11 Emigrant Savings Bank.

12 We will hear from OMB first, then
13 the Department of Finance, the Department of
14 Design and Construction, the Comptroller and then
15 the Independent Budget Office. Then at 4:00 p.m.
16 we will hear from the public.

17 So if anybody from the public would
18 like to come and testify about the Mayor's
19 Preliminary Budget, we will take testimony from
20 the public starting at 4:00 p.m. in the Emigrant
21 Savings Bank. That's the building we use as our
22 temporary Council chambers.

23 If you have any questions, feel
24 free to call my office or call Tanisha Edwards, my
25 wonderful attorney sitting to my left. If you

2 need those numbers, we'll make those public. But
3 you can go to DRecchia.com, that's my website, and
4 there's a whole section on there for Finance.

5 I'm asking all of my colleagues to
6 please try to come on time. We want to start
7 promptly at 10:00.

8 Before I turn the mike over to my
9 colleague Al Vann, I'd like to recognize those
10 members that have joined us. We have Gale Brewer
11 and Joel Rivera. What? I said Council Member
12 Koslowitz. We have Fernando Cabrera, he's just
13 joined us. Council Member Al Vann?

14 CHAIRPERSON VANN: Good morning,
15 and thank you, Councilman. Ladies and gentlemen,
16 I am Al Vann, Chair of the Committee on Community
17 Development. Last month, I introduced, along with
18 Council Member Recchia, what is being called the
19 "Responsible Banking Act," otherwise known as
20 Intro 485.

21 It is a Local Law that will
22 generate a set of criteria for a specific bank
23 classification ranking system. That is to help
24 demonstrate how city depository banks are
25 contributing to the needs of the city and its

2 communities.

3 Specifically, the bill requires
4 that the New York City Department of Finance will
5 rate depository banks based on a certain set of
6 standards that we believe will aid in making
7 noteworthy community development banking
8 activities more transparent to the public.

9 Examples of community development
10 activity which would include, but is not limited
11 to, whether or not banks are addressing the credit
12 and financial service needs of small businesses,
13 their ability to work with borrowers to
14 restructure delinquent home mortgage loans, and if
15 they are providing financing for the development
16 of affordable housing, to list a few.

17 These rankings would be submitted
18 to the Council and Banking Commission, as well as
19 being published and made available to the public.

20 In addition, the timing laid out in
21 this bill would allow the Banking Commission to
22 consider these rankings before designating a bank
23 as a city depository.

24 In light of the aftermath of our
25 nation's financial crises and neighborhoods

2 continuing to struggle from predatory lending,
3 foreclosure and lack of essential financial
4 services, affirmative steps are needed to rebuild
5 our partnership with the banking community.

6 New York City deposits more than \$6
7 billion into various banks. As a depositor of
8 that scale, it is crucial that our city
9 incentivize and support responsible banking that
10 is beneficial to New York.

11 I believe that this legislation is
12 certain to provide long-term benefits for both
13 city residents and communities while strengthening
14 and rebuilding traditional community development
15 partnerships with banks.

16 Thank you for all your
17 participation and your presence. I look forward
18 to today's testimony. I will now pass the mike
19 back to my fellow colleague, Brother Recchia.

20 CHAIRPERSON RECCHIA: Thank you,
21 Council Member Al Vann. Now we'll hear from the
22 head of the--I think she's the treasurer of New
23 York City, Elaine Kloss. Who else is with you?

24 ELAINE KLOSS: Today I'm joined by
25 Assistant Commissioner for Communications and

2 Government Affairs, Chris Brown.

3 CHAIRPERSON RECCHIA: It's on.

4 You've got to talk a little bit louder. You've
5 got to get close sometimes. You've got to hug the
6 mike.

7 ELAINE A. KLOSS: Good morning,
8 Chairman Recchia and Vann and members of the City
9 Council Finance and Community Development
10 Committees. I'm Elaine A. Kloss, Assistant
11 Commissioner of the Department of Finance and the
12 Treasurer of the City of New York. I'm joined
13 today by Assistant Commissioner for Communications
14 and Government Affairs, Chris Brown.

15 Today, I'm testifying on behalf of
16 the Finance Commissioner, David M. Frankel, about
17 Intro 485, sponsored by Chairs Vann and Recchia
18 and other Council Members, which governs the New
19 York City Department of Finance. Thank you for
20 inviting me to speak before you today.

21 Last November, I testified before
22 this committee at an oversight hearing about the
23 Banking Commission's process for designating the
24 city's depository banks. Today, I'm appearing
25 before you to explain the Administration's

2 opposition to Intro 485, which would require the
3 creation of a new classification system for banks.

4 While the bill has very good
5 intentions, we must object to it because the
6 Department of Finance, like any city agency, may
7 only make its procurement decisions objectively
8 and based on very specific product and service
9 requirements.

10 Moreover, we are concerned that the
11 bill may lead to confusion among consumers and
12 businesses who may believe that the Department of
13 Finance is regulating banks and assessing their
14 performance, when in fact banks are regulated by
15 federal and state authorities with respect to the
16 matters covered by the criteria in Intro 485.

17 Before I move to the specifics of
18 the bill, I'd like to briefly recap the Department
19 of Finance and the Banking Commission's roles and
20 responsibilities associated with selecting and
21 monitoring banks that perform services for the
22 City of New York.

23 Pursuant to the City Charter, the
24 Department of Finance is charged with the power
25 and duty to provide for the reception and

2 safekeeping of all the monies paid into the
3 Treasury of the City and for paying all monies
4 drawn and countersigned by the City Comptroller.
5 Pursuant to this framework, the Department of
6 Finance, in conjunction with the Banking
7 Commission and the City Comptroller, manages the
8 city's cash flows.

9 The Banking Commission has three
10 members: one representative of the Mayor, one
11 representative of the Commissioner of the
12 Department of Finance and one representative of
13 the City Comptroller. Three finance staff members
14 currently support the Banking Commission on a part
15 time basis.

16 The Banking Commission has three
17 primary responsibilities. First, each year, the
18 Banking Commission recommends interest rates to
19 the City Council for late payments of property
20 taxes and water and sewer rents as well as
21 discount rates for early payments of property
22 taxes.

23 Second, the Banking Commission
24 reviews and approves or denies applications it
25 receives from banks or trust companies to be New

2 York City designated banks.

3 Finally, the Banking Commission
4 participates in the New York State Banking Develop
5 District Program and approves deposits of city
6 funds in BDD branches.

7 The proposed bill, Intro 485, would
8 expand the mandated responsibilities of the
9 Department of Finance and the Banking Commission.
10 It would require the Department of Finance to
11 evaluate whether banks are meaningfully addressing
12 the credit and financial needs of communities
13 throughout the city where banks do business and to
14 classify them on this basis.

15 The Department of Finance would
16 also be required to request that banks provide
17 significant amounts of information for purposes of
18 this evaluation. If a bank failed to respond
19 appropriately, it could be assigned a low
20 classification.

21 Finally, the bill provides that the
22 Department of Finance and other city agencies may
23 take such classifications into account when making
24 bank product and service procurement decisions.

25 The City has three primary concerns

2 with this bill. The first relates to the
3 provision that the Department of Finance and other
4 city agencies may take the classification into
5 account when procuring bank-related services.

6 When the City procures a bank service, just as it
7 does when it procures any service, its goal is to
8 purchase the best service at the best price, which
9 is good for both the city and taxpayers.

10 To do this, it procures services
11 through an objective method. We believe that this
12 is the right approach. When procuring banking
13 services, the City focuses and should continue to
14 focus solely on the financial safety and soundness
15 of each bank, its banking capabilities and its
16 pricing.

17 The City carefully selects its
18 operating banks based on product offerings,
19 customer service and pricing. In general,
20 government payment processing requirements are so
21 complicated and unique that only a limited number
22 of banks are capable of fulfilling the City's
23 needs.

24 If a particular bank were to lose
25 its ability to serve the City's banking needs and

2 that bank's capabilities were unique, the City's
3 cash management activities could be seriously
4 harmed. It would be particularly troubling if a
5 city bank, one that is very important to the
6 City's cash management, needed to be replaced due
7 to a failure to satisfy elements of the proposed
8 bill. The procurement process is very lengthy and
9 the time required to transfer to another bank can
10 also be very long and resource intensive.

11 Similarly, when designating banks,
12 the Banking Commission must review and monitor the
13 financial soundness and stability of banks to
14 ensure that the City's money is safe in these
15 banks and the banks will continue to provide their
16 procured bank services to city agencies.

17 Second, as you all know, the
18 banking industry is already very heavily regulated
19 by the state and federal governments. Indeed, the
20 federal government has already passed a law that
21 requires rating bank's community reinvestment
22 activities.

23 The requirements of this law are
24 similar to what the Council seeks to do in Intro
25 485. Our concern is that if this bill is passed,

2 it might confuse rather than help, because it is
3 not clear how these classifications would
4 coordinate with federal and state regulations.

5 Finally, if the Department of
6 Finance were to issue bank classifications, it
7 would give the public and businesses the
8 impression that the City of New York oversees and
9 regulates banks. It does not.

10 People could misinterpret a bank
11 classification to mean that one bank has a
12 stronger financial condition than another. In
13 reality, however, there are many other government
14 agencies, like the U.S. Office of the Comptroller
15 of the Currency, the FDIC, the Board of Governors
16 of the Federal Reserve system and the New York
17 State Banking Department that have the authority
18 to regulate these banks and their activities. It
19 is preferable that people seek guidance from these
20 regulatory agencies for evaluation of bank
21 financial stability and performance.

22 In addition, the Corporation
23 Counsel's Office has legal concerns about the
24 bill. In general, local governments are
25 restricted when they try to regulate national and

2 state chartered banks' core banking activities,
3 such as the extension of consumer mortgage credit
4 and refinancing. State law also limits our
5 authority to consider policy matters when making
6 purchasing decisions.

7 In closing, and as I mentioned last
8 November, the Treasury Division of the Department
9 of Finance is a relatively small group and its
10 support of the Banking Commission is only one of
11 its many duties. Without new funding and
12 additional resources, we could not successfully
13 administer the broad scope of this bill.

14 Commissioner Frankel will come
15 before you in a few days to discuss some of the
16 fiscal challenges currently facing the Department
17 of Finance. I cannot overstate how we are doing
18 more with less. If new mandates are required by
19 the Department of Finance, then its other critical
20 fiduciary responsibilities may not receive the
21 attention that they deserve.

22 Thank you and I'll be happy to take
23 your questions.

24 CHAIRPERSON RECCHIA: Before we
25 start in with the questions, let me just recognize

2 those members that have joined us: Council Member
3 Diana Reyna, Lewis Fidler, Jimmy Oddo and Vincent
4 Ignizio.

5 We have a lot of members that have
6 questions. I'm going to start off by just asking
7 one question. We're not asking for the Department
8 of Finance and for the Banking Commission to do
9 anything more, but we just feel that the Banking
10 Commission today, as it is, needs to do what it's
11 set out to do, you know. That is to make
12 available to people, to the taxpayers of the City
13 of New York what banks are doing in their
14 communities. How could a taxpayer find out from
15 the Banking Commission what specific banks are
16 doing in the community? Is there a process in
17 place?

18 ELAINE A. KLOSS: Is your question
19 is there a process on what banks are doing in
20 every community?

21 CHAIRPERSON RECCHIA: Yes.

22 ELAINE A. KLOSS: No, there is not.

23 CHAIRPERSON RECCHIA: Okay. You
24 keep on saying that the Banking Commission is
25 understaffed, it doesn't have enough money. That

2 tells me that the Commissioner who oversees this
3 has a real serious problem in the way he runs the
4 Banking Commission as neglecting this part of the
5 Department of Finance. We will take this up when
6 he appears before us on Thursday.

7 What we're trying to do here is
8 work with government and work with the private
9 industry. We're not looking to hurt, but we're
10 just trying to figure out if you're going to be
11 getting all these depositories on all this money,
12 then you have to give back to the community and
13 work with our community. The Banking Commission
14 is that arm. If you say there's nothing in place,
15 that's a serious problem.

16 I have a bunch of questions but I'm
17 not going to start asking my questions. I'm going
18 to let all of my colleagues ask first. First, I
19 want to start off with my Co-chair, who has a
20 number of questions, Council Member Al Vann.

21 CHAIRPERSON VANN: Thank you,
22 Chair. The first thing that comes to mind, Deputy
23 Commissioner, is a statement that you made in your
24 testimony regarding what you are compelled to do
25 by the law and what you think that you cannot do.

2 I'm specifically familiar with a provision of the
3 Banking Commission that requires that the Banking
4 Commission issue a separate community service
5 rating for each designated bank. Is that correct
6 to your knowledge? Are you required?

7 ELAINE A. KLOSS: The Banking
8 Commission relies on the federal CRA ratings on
9 banks when we review them.

10 CHAIRPERSON VANN: Right. You may
11 choose to do that as fulfilling the requirement,
12 but you are required, according to the rules, to
13 issue a separate community service rating for each
14 designated bank. I just want to know if I'm
15 accurate; is that correct?

16 ELAINE A. KLOSS: I believe that
17 may be, but we do rely on the federal CRA ratings.

18 CHAIRPERSON VANN: All right, but
19 that's a choice that you make, right, to do it?

20 ELAINE A. KLOSS: Correct.

21 CHAIRPERSON VANN: But you could
22 have your own classification system if you chose
23 to, as a way of meeting that requirement. You
24 want to respond to that?

25 ELAINE A. KLOSS: I think the

2 intention is very good. If we classify banks, it
3 will appear as though we are regulating them and
4 we cannot regulate banks. It would also limit the
5 amount of banks that we can do business with.
6 That's a serious matter.

7 CHAIRPERSON VANN: Why do you
8 equate a classification with requirement? You may
9 classify because you want certain information.
10 You're not necessarily regulating. In fact, you
11 don't regulate banks.

12 ELAINE A. KLOSS: It would appear
13 as though we were regulating if we ask for these
14 ratings. While the intention is good, if a bank
15 chose not to give us that information and they got
16 a low classification, the way this bill is
17 structured at the moment, it would not allow us to
18 do business with such banks.

19 CHAIRPERSON VANN: But you do that
20 there's nothing in this bill that requires the
21 banks to do anything?

22 ELAINE A. KLOSS: That's correct.

23 CHAIRPERSON VANN: Okay.

24 ELAINE A. KLOSS: But if they chose
25 not to do that and they got a low rating, then you

2 are asking the City to put its business or do
3 procurement with banks with satisfactory ratings.

4 CHAIRPERSON VANN: Well, we don't
5 really legislate ifs, you know if this, if that.
6 In fact, what the bill does is we ask the
7 Department of Finance if they would simply set up
8 a rating system. As you say, the banks may or may
9 not choose to do that.

10 ELAINE A. KLOSS: That's right. If
11 they choose not to do that and they get a low
12 rating because of that, you're asking us to do our
13 procurement based on these ratings.

14 CHAIRPERSON VANN: Well, based on
15 that logic, we would not provide any information
16 about anything because people may choose to do
17 something other than what they should do because
18 something appears in public. You understand what
19 I'm saying? You're saying if we ask for
20 information, just by asking for information,
21 people may choose not to use a particular bank or
22 designate a particular bank.

23 ELAINE A. KLOSS: That's the way
24 this bill is written, yes. You're asking agencies
25 to procure banking services based on these

2 classifications and to take them into
3 consideration.

4 CHAIRPERSON VANN: Well, don't you
5 think it's better to have more information than
6 less information? I think we all agree with the
7 primary responsibilities of the Banking Commission
8 and we want all of the banks to be profitable and
9 all of that. But don't we also want them to serve
10 the community, the financial needs of communities,
11 particularly the communities that are having these
12 stresses right now in terms of its small
13 businesses not being able to sustain themselves?
14 A lot of houses, a lot of homeowners are losing
15 their homes because of lack of support from our
16 banks by modifying their loans and so forth.
17 Shouldn't we have that information as residents
18 and bankers within New York City? Shouldn't we
19 just have the information?

20 ELAINE A. KLOSS: If we ask for
21 that information, it will appear as though the
22 city is governing banks. We do not regulate
23 banks. We're preempted by federal and state law.

24 CHAIRPERSON VANN: There's nothing
25 in this bill that preempts state law, right, or

2 federal law. But it would appear to whom?

3 ELAINE A. KLOSS: To the public, to
4 agencies. It would confuse people. If they saw a
5 rating out there, they would think perhaps the
6 city feels that the financial stability of a bank
7 is being rated.

8 CHAIRPERSON VANN: There's nothing
9 here that preempts. There's nothing here that
10 requires. It boggles my mind to think that we
11 would not want to provide information that might
12 be helpful because it may appear; the appearance
13 of something you see as being detrimental. I know
14 that you wouldn't want to govern that way. I know
15 I would not legislate or refuse to legislate
16 because something may appear, when something in
17 fact would be a positive and supportive of New
18 York and those of us who require our banks to be
19 supportive of stabilizing our community.

20 Just as we bailed out the banks
21 through public dollars and now we can't even find
22 out from these banks what they're doing in our
23 communities, when they used our tax dollars to
24 become whole.

25 ELAINE A. KLOSS: I think that

2 information is available with the federal CRA
3 ratings.

4 CHAIRPERSON VANN: I don't think
5 so, and I think others will testify to that. But
6 shouldn't you as the Banking Commission have that
7 information? Wouldn't you want that information?

8 ELAINE A. KLOSS: I think that this
9 bill is preempted by federal and state law. It
10 would also ask agencies to make procurement
11 decisions based on ratings on policy.

12 CHAIRPERSON VANN: I beg to differ.
13 It does not ask them to do anything other than
14 collect that information and make it available.
15 But thank you for that answer.

16 [Pause]

17 CHAIRPERSON VANN: Sure, Domenic.

18 CHAIRPERSON RECCHIA: Ms. Kloss, as
19 I sit here and I hear you testify and you keep on
20 saying that it's outside of your realm of your
21 authority, we don't have the authority. The
22 Banking Commission rule, page three, subparagraph
23 four, community service rating. These are your
24 rules. I'm going to read it to you.

25 The Banking Commission shall rate

2 the community service of each bank filing for
3 designation. The basis of such rating shall be a
4 bank's most recent Federal and State Community
5 Reinvestment Act rating and may also include--
6 repeat--may also include such other factors as the
7 Banking Commission deems relevant to achieving the
8 purpose of these rules. Including but not limited
9 to a bank's participation in the banking
10 development district, each bank shall submit to
11 the Banking Commission any information required by
12 the Commission.

13 I'll read that again; maybe you
14 didn't hear that. Each bank shall submit to the
15 Banking Commission any information required by the
16 Commission in order to issue such ratings. Such
17 ratings shall be used by city agencies in the
18 process of selecting bank service providers. This
19 is your rule. You have the right to do this. You
20 have the right to say this is going to be the
21 criteria.

22 You know what, what is wrong with a
23 bank to be rewarded because they're doing a lot in
24 our community? If some city agency wants to say,
25 you know what, this bank is doing good, let's give

2 them a few of our deposits. Could you tell me
3 what's wrong with that?

4 ELAINE A. KLOSS: I think your
5 intention is well taken, but the city has very
6 complicated banking processes. There are only a
7 handful of banks that can handle that. If we lose
8 one of those banks and they're not allowed to
9 participate because we've excluded them due to
10 some rating, that's a hazard to our operation.

11 CHAIRPERSON RECCHIA: Then did you
12 think about it before you wrote this rule? Could
13 I please have quiet here? A lot of people are
14 talking. Did you think about this rule before you
15 implemented this? Why did you implement this
16 rule? I have a problem with that. You have a
17 rule that says you could do it, but then you say
18 you can't do it because you're going to hurt
19 banks, or you don't want to lose those banks.

20 You know what, this is not a little
21 club. It's time that banks step up to the plate
22 and help the people of the City of New York. This
23 City Council is no longer going to sit back and
24 let banks gets millions of dollars in deposits and
25 let the Banking Commission just sit back and do

2 nothing. I have a problem with that. Please keep
3 it down.

4 We can't sit back anymore. First
5 you say you can't do it. Your rule said you could
6 do it. Then you said you don't have the staff to
7 do it. But you know what, you have a lot of
8 deputy sheriffs sitting there that could help you
9 out in the Department of Finance that you want to
10 lay off. Instead of laying them off, let's
11 retrain them to work with the Banking Commission.
12 Al, do you have any further questions?

13 CHAIRPERSON VANN: I have at least
14 one other question. In our November hearing, you
15 stated that your office relies on the CRA rating
16 to determine a bank's community activity. Can you
17 tell us, how do you use this information?

18 ELAINE A. KLOSS: We review the
19 rating and they must have at least a satisfactory
20 rating. We review a lot of other information on
21 the banks. One of the key things that we look at
22 is their financial stability, especially in light
23 of today's markets and what's happening with
24 banks. Our job is to safeguard the City's money.
25 That's my number one priority as the Treasurer is

2 to make sure that the money we have, which is
3 taxpayer money, is safe and it's in a financially
4 solid institution.

5 CHAIRPERSON VANN: We support that
6 as well. Is the information that you receive,
7 that you solicit from the CRA, is it detailed
8 enough to give you an accurate picture of the
9 community's needs and how the bank is meeting
10 those needs?

11 ELAINE A. KLOSS: I will have to
12 get back to you. We are reviewing all of the CRA
13 ratings in the coming months. The last time this
14 was done, I was not here.

15 CHAIRPERSON VANN: So you don't
16 know if it does or not.

17 ELAINE A. KLOSS: I will have to
18 get back to you on that.

19 CHAIRPERSON VANN: All right, I'll
20 come back.

21 CHAIRPERSON RECCHIA: Any of the
22 members? Leroy Comrie is going to be the first
23 one.

24 COUNCIL MEMBER COMRIE: I want to
25 just first congratulate Council Member Vann and

2 Council Member Recchia for introducing this bill.

3 I think it's clearly something that can be done by

4 the City. Actually, as they so eloquently pointed

5 out, it's already part of their Banking

6 Commission's own rules and regulations. They have

7 the autonomy and the authority to bring back this

8 information to the City, so that the City can be

9 responsible and also send, I think, a message of

10 responsibility and fairness to the banks that are

11 handling the City's money.

12 Can you share with us this morning

13 a list of the banks that are handling the cash

14 management flow for the City? Do you have that

15 list available?

16 ELAINE A. KLOSS: I do not have it

17 with me. There are 35 banks and they're posted on

18 the Department of Finance's website. But I could

19 get that for you, I just don't have it with me.

20 COUNCIL MEMBER COMRIE: Ms.

21 Edwards, our wonderful counsel is just showing me

22 the list of the banks that are handling it and it

23 would lead to my next question. What is your

24 criterion for designating a bank? Could you go

25 into more detail? You seem to keep intimating

2 that there is some special relationship or special
3 capability that a bank has to have to be able to
4 handle the City's money. Can you detail for the
5 public what those criteria are?

6 ELAINE A. KLOSS: To become a New
7 York City designated bank, the banks are required
8 to submit a myriad of documents. Most of them are
9 publicly available. They're financial statements,
10 the locations of their branches in New York City.
11 We do an assessment on that bank. The Banking
12 Commission designates banks and that's all it
13 does.

14 The next step is for a city agency,
15 if it wishes to procure the services of a bank, it
16 may only do business with a bank that's already
17 been designated. So the actual business part of
18 this is the agency determines which bank it will
19 do business. The Treasury tries to work with
20 agencies to help them in that assessment. We look
21 at the financial soundness of a bank, whether they
22 have the capability to handle the requirements for
23 whatever process we're procuring for. Then we
24 also consider pricing. It's a very lengthy
25 laborious--

2 COUNCIL MEMBER COMRIE:

3 [interposing] Pricing, what do you mean by
4 pricing?

5 ELAINE A. KLOSS: The price for
6 bank services.

7 COUNCIL MEMBER COMRIE: The price
8 for bank services?

9 ELAINE A. KLOSS: Yes. Our goal is
10 to be with the safest institutions, to get the
11 best service at the best price.

12 COUNCIL MEMBER COMRIE: Okay.
13 Well, just to illuminate, there are 35 banks that
14 are listed here. I think every major bank in New
15 York City is listed here. We even have banks as
16 small as Ridgewood Savings Bank and Victory State
17 Bank in Staten Island.

18 I'm sure that part of that is
19 because we had earlier asked for the Banking
20 Commission to reach out and to use not just the
21 major banks like Citibank, which is on here,
22 Capital One, Bank of New York Mellon, Bank of
23 America, Deutsche Bank, Emigrant, and Goldman
24 Sachs Bank. I don't know why we're still using
25 them. HSBC Bank, the Israel Discount Bank,

2 JPMorgan Chase, the National Bank of New York
3 City, New York Community Bank, New York National
4 Bank, Signature Bank, the State Bank of Long
5 Island. I think I said that. Also there's State
6 Street Bank of Trust Company in Boston,
7 Massachusetts, TD Bank.

8 I don't know if there's a bank
9 missing from this list that's not a major bank
10 that is not also a national bank or has
11 connections to a fund that could not give you
12 quickly a list of their responsibilities. I don't
13 understand what the work effort would be to make
14 sure that this bill happens.

15 If all of these banks are already
16 putting in their reports to the national, why
17 couldn't they quickly, with all of the staff that
18 all these banks have, failsafe the staff that you
19 have since everything is computerized, why
20 couldn't they give you--what's so labor intensive?
21 I'm confused as to what kind of labor would it
22 require of you to ask these banks which are all
23 major institutions, none are minor institutions,
24 none are mom and pop banks. All of them have
25 multiple branches and multiple employees and

2 multiple lawyers that could quickly put this
3 information together.

4 As I said, the two Chairmen have
5 clearly said that this is one of your primary
6 responsibilities as laid out by your own laws and
7 by your own dictates. What do you deem would be
8 so difficult for you to send a letter asking for
9 these banks to tell you what their policies and
10 practices are as far as how they deal with
11 consumers, with your clients, with our
12 constituents, with the people of New York City?

13 ELAINE A. KLOSS: Could you repeat
14 what you're asking me?

15 COUNCIL MEMBER COMRIE: What's so
16 hard? Break it down?

17 CHAIRPERSON RECCHIA: The short
18 version.

19 COUNCIL MEMBER COMRIE: What is so
20 hard for you to put together a letter to the banks
21 asking them for this compliance? When they
22 already are doing it on a federal level, when they
23 already should be doing it for a community
24 outreach level since most of these banks should be
25 working with the community, when we're already

2 pressing on them through the Center for New York
3 City Neighborhoods to provide foreclosure
4 information to the city, when they should be
5 working with the Center for New York City
6 Neighborhoods to provide foreclosure relief. What
7 is so hard about putting a letter together to ask
8 these banks for the information that we are asking
9 for on Intro 485? What is that labor?

10 ELAINE A. KLOSS: Asking for this
11 would be a form of regulating them and the City is
12 preempted from regulating--

13 COUNCIL MEMBER COMRIE:

14 [interposing] How is it regulation to ask for
15 information that is clearly part of the federal
16 criteria already? How is it regulation to ask
17 them for information that's already part of what
18 we should be asking them for as part of their
19 effort to meet the City's request to help with
20 foreclosures? How is it regulation to ask for the
21 banks to provide information that clearly should
22 be part of their immediate database since they
23 should have it ready at their fingertips?

24 What's the definition of
25 regulation? I didn't bring my computer with me.

2 Does anybody have the definition of regulation as
3 opposed to information gathering? I think that
4 there's a fundamental--it makes me want to go to
5 law school. What's the definition of regulation
6 in your opinion?

7 ELAINE A. KLOSS: I've been advised
8 by the Law Department that this bill is preempted
9 by federal and state law.

10 COUNCIL MEMBER COMRIE: I'm not a
11 lawyer. I'm going to turn it back over to the
12 lawyers. I think I've made my point. I know
13 there are a couple of lawyers on the committee
14 that will further drill down into this. But I
15 think that clearly there is nothing that can
16 prevent you from doing this other than your will
17 and focus and determination.

18 I think that it's almost an
19 embarrassment for a city that's suffering from
20 foreclosures from seniors that are going through
21 transition, from people that are falling in and
22 out of work, when we're already under funded for
23 the Center for New York City Neighborhoods where
24 these banks could make up that funding immediately
25 if no sooner with the billions of dollars that

2 they're handling in city funds, just from the
3 interest of that money alone, where we could help
4 people that are struggling in this city. I think
5 it's an embarrassment. I don't understand. I
6 would use stronger language but it's Monday
7 morning and I'm going to be polite.

8 CHAIRPERSON VANN: Thank you.

9 COUNCIL MEMBER COMRIE: Thank you,
10 Mr. Chair.

11 CHAIRPERSON VANN: Thank you,
12 Councilman. I'm not a lawyer either, but we do
13 have common sense. Some things aren't required by
14 law.

15 Members have joined us: Council
16 Member Ferreras, Council Member Van Bramer,
17 Council Member Helen Foster, Council Member Jimmy
18 Oddo, Council Member Ignizio, Council Member
19 Lander, and Council Member Mark-Viverito.

20 We have limited time, so I'm going
21 to ask our colleagues to try and be brief with our
22 questions. We have several other panels that we'd
23 like to hear from other than the Administration.

24 Council Member Fidler?

25 COUNCIL MEMBER FIDLER: Actually,

2 unaccustomed as I am to ratcheting things down,
3 I'm going to not debate the definition of
4 regulation with you, Commissioner. I would hope,
5 Mr. Chairman that we can get the Corporation
6 Counsel in and the Law Department in so that they
7 can explain to us why this is preempted by state
8 or federal law.

9 Quite frankly, this bill seeks to
10 gain information which I think we do in a number
11 of our processes in the City of New York. Now,
12 the process by which we deposit money in a bank is
13 something of a competitive bidding process. Would
14 that be correct?

15 ELAINE A. KLOSS: It's a
16 procurement process, yes.

17 COUNCIL MEMBER FIDLER: But is it
18 competitive bidding or not?

19 ELAINE A. KLOSS: I would say yes.

20 COUNCIL MEMBER FIDLER: Okay. Do
21 you see anything in state or federal law that
22 precludes the city from adding criteria in that
23 process?

24 ELAINE A. KLOSS: I think it's
25 viewed as procuring based on policy which we don't

2 think is prudent at this time.

3 COUNCIL MEMBER FIDLER: We don't
4 invest our bonds on occasion with public policy in
5 mind?

6 ELAINE A. KLOSS: Can I finish my
7 statement?

8 COUNCIL MEMBER FIDLER: Sure.

9 ELAINE A. KLOSS: When we handle
10 the city's cash, in the central Treasury area,
11 it's a very, very complex, highly sophisticated
12 banking service that we need. Today there are
13 only two or three banks that can handle the volume
14 of transaction and the dollar amount that flows
15 through Central Treasury. We handle over \$60
16 billion a year. That's all we have to choose from
17 because other banks cannot handle it. They don't
18 have the services. They don't have the capability
19 to meet the needs that we have.

20 If one of these banks chose not to
21 comply with this rule and give us the information
22 to classify them and we were not allowed to use
23 them for the procurement process, it could pose a
24 hazard to us. Our goal now is to watch all these
25 banks, look at their financial stability, look at

2 their capitalization and to safeguard the city's
3 funds. I'm just repeating that there are only two
4 or three banks today that can do this.

5 COUNCIL MEMBER FIDLER: Well, you
6 didn't actually answer the question I asked. But
7 let me go down the road that you went down for a
8 second. Hypothetically, there are two or three
9 banks that are capable and maybe we could find a
10 way to encourage a few more so there'd be four,
11 five or six. But that's another issue.

12 Two banks equally capable of
13 meeting the city's needs, they're appropriately
14 capitalized; they have the resources and the
15 people power to handle city deposits. In your
16 view, is it appropriate, given equal capabilities
17 and equal pricing to then factor in which of those
18 banks is being a good citizen to New Yorkers:
19 investing in affordable housing, cooperating with
20 reformations of bad loans? Would you not give a
21 preference to that bank?

22 ELAINE A. KLOSS: That would be
23 procuring based on policy. I think the other
24 factors that I mentioned--

25 COUNCIL MEMBER FIDLER:

2 [interposing] I've already defined that the other
3 factors are equal. I would never ask you to give
4 a good guy bank business that they could not
5 handle and jeopardize the funds of the city of New
6 York. So the hypothetical is they're competent
7 and they're qualified. That is an absolute. I
8 think we're all in this room in agreement on that.
9 Given those equal things, given even equal pricing
10 for the moment, would you not prefer a bank that
11 has shown that it is investing in the people of
12 the City of New York?

13 ELAINE A. KLOSS: I think the
14 intention would be very good to do that. The
15 intention is good.

16 COUNCIL MEMBER FIDLER: So I'm not
17 going to quibble over whether it's legal with you
18 because I think we need to have the Law Department
19 here for that. But I would submit to you when I
20 asked you the question I asked that you didn't
21 answer is don't we in fact make decisions on
22 investing of pension funds that do, in fact,
23 include decisions about social or public policy?

24 ELAINE A. KLOSS: I'm sorry, but I
25 don't get involved with pension funds. That's in

2 the Comptroller's department. So I really don't
3 feel that I can answer that and value judge what
4 they do making those decisions.

5 COUNCIL MEMBER FIDLER: Our
6 questions really need to be asked of someone who
7 is going to address the actual legal objections
8 here. It sounds to me that you don't have a moral
9 objection to what we're doing. I mean the issue
10 of whether or not the Finance Department has
11 sufficient staff to do this is something we'll
12 have to take up with the Commissioner. Maybe we
13 have to make a decision of whether or not more
14 resources are needed to do this.

15 Although I would say that they
16 would pay for themselves if we were encouraging
17 banks to be better citizens and participate in our
18 affordable housing programs more readily and
19 whatnot. It seems to be a no-brainer to me.

20 Honestly, I don't see why, and I
21 look at RFPs of all kinds for procuring services
22 in other agencies in the City of New York where
23 elements of public and social policy are a factor
24 in determining whether or not or seeing which of a
25 group of qualified bidders gets the job. I don't

2 see why banks should be exempt from that. Thank
3 you.

4 CHAIRPERSON VANN: Thank you,
5 Council Member Fidler. Council Member Cabrera is
6 next.

7 COUNCIL MEMBER CABRERA: Thank you
8 so much to both of the chairs. Commissioner,
9 welcome. I have just a couple of quick questions.
10 I'm just curious to know, actually a kind of
11 interesting observation. Last night, I went to a
12 nice Mexican restaurant and they had a rating
13 system and I was very happy to be able to see what
14 they were rated. Why wouldn't it be to the
15 public's benefit to see such a rating
16 classification system?

17 ELAINE A. KLOSS: I think such a
18 rating classification would confuse the public.
19 They would think that the city is regulating banks
20 and perhaps view some banks, if they had a higher
21 rating as financially more sound. It would cause
22 a lot of confusion instead of helping the
23 situation.

24 COUNCIL MEMBER CABRERA: You know,
25 Commissioner, I went last night to the restaurant.

2 I wasn't thinking about the government regulating
3 the restaurant. I would use the same analogy that
4 I don't think people would think in those terms.

5 My other question, because I know
6 we're short on time here, how many resources do we
7 use in retaining these banks using the procurement
8 process?

9 ELAINE A. KLOSS: When they're done
10 in the Treasury Division, there are at least three
11 or four of us that work on those and we also bring
12 in someone from the Comptroller's office and FSA.
13 So there'd be six. For example, right now there's
14 an RFP for the Central Treasury accounts. There
15 are six on the committee to select that. When we
16 work with other agencies, it all depends on how
17 many of us need to get involved. We also help; we
18 reach out to other areas of Finance. There are
19 fairly large committees, people working on this.

20 COUNCIL MEMBER CABRERA: How much
21 monies did we put in securing these banks? How
22 much is it costing us to secure these banks in a
23 procurement process?

24 ELAINE A. KLOSS: I'm sorry; I
25 don't know what you're asking me.

2 COUNCIL MEMBER CABRERA: These
3 banks that we are securing, in order to retain
4 them to do the services that they're providing,
5 how much is it costing us?

6 ELAINE A. KLOSS: Oh, how much are
7 we paying the banks?

8 COUNCIL MEMBER CABRERA: Yes.

9 ELAINE A. KLOSS: Okay. Each
10 contract has different services and different
11 periods for the contract. We pay banks a
12 tremendous amount of money.

13 COUNCIL MEMBER CABRERA: On those
14 basis, and I'm trying to be quick and not to cut
15 you off.

16 ELAINE A. KLOSS: I know.

17 COUNCIL MEMBER CABRERA: I'm a
18 behaviorist. Whatever is rewarded is repeated.
19 The premise that I'm making here is I don't
20 believe these banks are going to walk away from
21 these millions and millions of dollars that we're
22 providing. They're in it for the money. I have
23 absolutely no fear that they will walk away.
24 Thank you so much both of the Co-chairs. Can you
25 please add me to the bill? Thank you so much.

2 CHAIRPERSON VANN: Most definitely.
3 Council Member Brewer is next.

4 COUNCIL MEMBER BREWER: Thank you.
5 I'm familiar with CRA over its lifetime. It has
6 had different ways in which people have looked at
7 it and been more effective at different times.
8 Have you, either through the Washington office, or
9 working with the National Council of Mayors or the
10 other national organizations, maybe suggested,
11 since you don't want to do this locally, finding a
12 way that CRA could do the same thing looking at
13 some local issues as well as obviously the
14 national issues? Is that something that maybe
15 you've thought about? Since you're not
16 comfortable doing it locally, could you work with
17 CRA to do it nationally and have them have a local
18 base? Other cities around the country probably
19 would be interested in working with you because we
20 all have the same problems. Thank you, Mr. Brown.

21 CHRIS BROWN: Thank you, Council
22 Member Brewer. We can talk to the Mayor's
23 Washington office. I'm not exactly sure when CRA
24 is next up for renewal, but I think we can be a
25 part of the conversation when the time comes.

2 COUNCIL MEMBER BREWER: So what
3 you're saying is that you think that CRA and that
4 kind of adjustment would address some of the
5 issues? I'm not saying that this bill isn't a
6 good idea. I'm trying to go at it from a
7 different way. But is this something that you
8 think CRA would be able to address, the kinds of
9 issues that we're trying to address here today.

10 CHRIS BROWN: I think the nature of
11 what we're saying, the preemption argument
12 definitely supports that outlook, which is that
13 this kind of regulatory change has to happen at
14 the congressional level. So, indeed, CRA would
15 seem to be the obvious place for that.

16 COUNCIL MEMBER BREWER: So you're
17 going to check with the Washington office?

18 CHRIS BROWN: We will definitely do
19 that.

20 COUNCIL MEMBER BREWER: Thank you.

21 CHAIRPERSON VANN: Despite the
22 inquiry on behalf of the Council Member, we do not
23 accept that there's anything preempting in this
24 legislation or anything that brings about any
25 further regulation, for the record. Council

2 Member Reyna is next.

3 COUNCIL MEMBER REYNA: Thank you to
4 our Chairs. I want to just take this opportunity
5 to recognize the fact that this is a longstanding
6 issue. Similar to the MWBE program in the City of
7 New York of which there was this notion that this
8 program was just written in words but no action.
9 The outcomes were very poor.

10 This Council has taken on the issue
11 of MWBE, not just in the certification process,
12 because once upon a time the city would say there
13 weren't enough MWBEs registered as a certified
14 company. Now we've crossed that bridge and now
15 we're finding that procuring with these certified
16 MWBEs is the next obstacle.

17 So this is about creating a
18 culture. When we talk about 35 participating
19 designated banks doing business with the City of
20 New York, we want banks that are participating
21 with the City of New York to understand there is a
22 culture we are trying to reward.

23 Right now, this notion that there
24 is an exclusion is, I think, a misinterpretation
25 of what the message could be. We need to

2 challenge ourselves in order to appreciate that
3 when we try to reward those banks that are doing
4 business with the City of New York, because
5 they're doing a little extra, more than what
6 they're supposed to. And the CRA rating has
7 become one of quantity and not quality.

8 I know that I've met with banks
9 concerning the small business community and the
10 fact that in a 28-day cycle a bank will deny 100
11 percent loans to small business applicants. That
12 applicant will walk away and never return. That
13 is a fact from a local branch and one of your
14 participating designated banks.

15 That is a problem because that is
16 the same small business that is paying taxes in
17 the City of New York. This is how we're rewarding
18 that small business owner. So there is no
19 potential for growth. There's not potential for
20 success. So we need to start evaluating a little
21 differently.

22 Perhaps the grading system is
23 something that you don't want to adopt because you
24 don't want the misinterpretation of the City of
25 New York perhaps being the designee of you're

2 good/you're bad, but we're not referring to good
3 or bad. You're all good, but we want you to be
4 better. That message can clearly come off with a
5 system that can be put in place because you're
6 authorized to do so.

7 So I want to understand, you know
8 in the list of the designated banks, I see that
9 there's a difference between the Banking
10 Development District of five participating
11 designated banks who are receiving deposits and
12 the rest are more than likely centralized in a
13 headquartered bank, you know perhaps in Manhattan
14 99 percent of the time.

15 Would it make a difference that
16 when you're going to make a depository that you do
17 so at a local branch of that participating
18 designated bank in outer boroughs where it's not
19 centralized in one bank? Does that make a
20 difference?

21 I want to understand what the
22 benefit is, let's say JPMorgan Chase, you deposit
23 millions of dollars at JPMorgan Chase at One Chase
24 Manhattan Plaza in New York. But rather than
25 taking it to One Chase Manhattan Plaza, you

2 deposit in Graham Avenue BID where Chase is on the
3 BID in the commercial corridor. What is the
4 difference between depositing at One Chase
5 Manhattan Plaza rather than taking it to the local
6 branch in Brooklyn, in a commercial strip where
7 it's in need of seeking that type of depository?

8 ELAINE A. KLOSS: Can I clarify?

9 COUNCIL MEMBER REYNA: Please.

10 ELAINE A. KLOSS: When we make
11 deposits in our Central Treasury accounts, which
12 are currently at Chase, we don't keep them there.
13 They get swept up every night and invested. So
14 we're not holding large amounts of money in these
15 banks. We have bank accounts in every agency
16 across all the boroughs.

17 The best example is school
18 accounts. There are school accounts in
19 neighborhoods where all the schools are located.
20 They're not based in Manhattan. So they are
21 wherever you see a public school, that's where
22 their account is. We have people now when they're
23 opening new accounts they actually go in and
24 geographically try to find a branch that's closest
25 to that school with the best products and lowest

2 cost.

3 COUNCIL MEMBER REYNA: So in
4 Bushwick, for instance, we don't have banks. You
5 know, the only bank there is Citigroup.
6 Citigroup, having been the only bank, you have no
7 choices. So at Brooklyn Credit Union, which began
8 as a Bushwick federal credit union is now Brooklyn
9 Credit Union and has expanded from one branch to
10 now two branches: one is Bedford Stuyvesant and
11 one in Bushwick. This was the answer to the lack
12 of banking institutions.

13 Now, the schools, perhaps, may go
14 to the credit union but more than likely will
15 continue to go to what has been there, which is
16 Citigroup because the culture we've created is
17 that Citigroup dominates the financial aspects of
18 this community because it's the only choice you
19 had for so long. So you have to break that cycle.
20 How do we break the cycle?

21 ELAINE A. KLOSS: Well, for one
22 thing, by state law, we can't deposit city money
23 in a credit union or a savings bank.

24 COUNCIL MEMBER REYNA: Stay right
25 there, Commissioner. I'm sorry; I don't want to

2 interrupt you, I just want to understand. Is that
3 a law? Has that law been explored to be able to
4 modify to 21st century policies and social aspects
5 of the needs of our communities?

6 CHAIRPERSON VANN: We do have a
7 bill to deal with that, incidentally. I know the
8 Council Members are aware of that. Answer the
9 other part of the question and then we'll move on.

10 ELAINE A. KLOSS: The other part of
11 the answer is that the State does set banking
12 development branches or districts and it's
13 supposed to help under-banked areas. I'd be happy
14 to speak to you about that later. But that is how
15 you can get banks to go into an area that has very
16 few banks to open new branches to serve that
17 community.

18 CHAIRPERSON VANN: Thank you.

19 COUNCIL MEMBER REYNA: Just to
20 answer the question on the reward system. Is
21 there some thought behind how do you create a
22 reward system where we are encouraging those banks
23 that are benefiting from the depository on behalf
24 of the City of New York to be able to receive
25 preferential opportunity to be able to be based on

2 the quality of service as opposed to the quantity
3 which is what the CRA is based on in today's
4 terms?

5 ELAINE A. KLOSS: Sorry, I don't
6 know what you're asking me. Could you just ask it
7 again?

8 COUNCIL MEMBER REYNA: Absolutely.
9 Have you explored an opportunity to be able to
10 implement a system that rewards depository
11 procurement services to be able to give that
12 preferential option of a bank who is doing a
13 little more than the usual in services in a
14 particular area that's designated? Aside from the
15 banking designated districts, I'm trying to see
16 what it is that you would be able to do within the
17 section of the law that Chairman Domenic Recchia
18 has just mentioned. Perhaps you will be able to,
19 in a more doable environment, implement, because
20 you have taken a closer look at how to do so
21 without giving the misinterpretation to the public
22 that you are overseeing the banking activities.

23 ELAINE A. KLOSS: I can take a
24 closer look at it and get back to you.

25 CHAIRPERSON VANN: Thank you.

2 We've been joined by Council Member Darlene Mealy.
3 We have a question from Council Member Lander and
4 Darlene Mealy and that will be the last question
5 before we go to our next testifier.

6 COUNCIL MEMBER LANDER: Thank you,
7 Mr. Chairman. I'm proud to be a co-sponsor of
8 this Intro. I thank you for bringing it. I want
9 to thank the Assistant Commissioners for joining
10 us today.

11 You assert in the testimony a
12 concern that if the department were to issue bank
13 classifications it would provide an impression
14 that you were regulating for safety and soundness.
15 The Community Reinvestment Act has existed since
16 1977. The bank regulators who actually are the
17 entities that regulate for safety and soundness
18 promulgate a CRA rating for those banks.

19 Are you aware of any evidence at
20 all that any consumer has ever confused the CRA
21 rating with a safety and soundness judgment on the
22 part of the bank regulators?

23 ELAINE A. KLOSS: No, but this
24 proposed legislation is much, much broader than
25 just looking at CRA ratings.

2 COUNCIL MEMBER LANDER: No, no, I
3 understand. But right now, the FDIC and the Fed
4 give out CRA ratings. They also, in fact, are
5 responsible, unlike the City, for giving out
6 safety and soundness ratings and giving the public
7 confidence in the safety and soundness of the
8 institutions. I'm not aware of any and I've never
9 heard the allegation that a consumer would ever
10 confuse an unsatisfactory or satisfactory or an
11 outstanding CRA rating for the FDIC or the Fed
12 expressing a sense that that bank was more or less
13 good from a safety and soundness point of view.

14 But yet you seem to be asserting
15 that somehow New York City consumers would confuse
16 a City rating. I don't understand. If we've got
17 30 years of evidence that even when bank
18 regulators give a rating based on meeting
19 community credit needs and there's no evidence
20 that affects people's judgments for where to bank
21 based on safety and soundness, I don't understand
22 why anyone would be confused about the City's
23 rating in that manner. Without any evidence at
24 all on 30 years of practice it doesn't make any
25 sense to me.

2 ELAINE A. KLOSS: I understand what
3 you're saying. The federal and state governments
4 do have the authority to regulate banks. The city
5 does not.

6 COUNCIL MEMBER LANDER: That's a
7 different point and that's not what I'm asking
8 about here. Just on this narrow assertion that
9 people could misinterpret a bank classification on
10 community development, to mean that one bank has a
11 stronger financial condition than another just
12 seems preposterous to me. When in fact, the
13 entities that precisely tell you whether a bank
14 has got a strong financial condition already
15 provide a similar ranking and I'm not aware of any
16 evidence anyone has ever been confused or
17 misinterpreted it.

18 ELAINE A. KLOSS: I'm going to
19 agree to disagree with you.

20 COUNCIL MEMBER LANDER: Okay. So
21 let's just point out though--anyway, you're going
22 to agree to disagree with the absence of any
23 evidence that your point has any merit. But okay.

24 My second question: why does the
25 Banking Commission participate in the Banking

2 Development District program?

3 ELAINE A. KLOSS: We think it's a
4 very good and worthwhile cause to show support for
5 the city development in different communities
6 where there are under-banked areas.

7 COUNCIL MEMBER LANDER: Isn't that
8 doing business for a policy reason?

9 ELAINE A. KLOSS: It's not doing
10 business. We're just depositing funds and holding
11 them there. There are no services prepared.
12 There is no RFP. There is no procurement process.
13 It's just deposits. If the state withdraws funds
14 from one of those branches, we have to also
15 because it no longer is a BDD branch and the
16 designation is removed by the state. We don't
17 control it. There's no procurement process.

18 COUNCIL MEMBER LANDER: I
19 understand that it's a different issue from what
20 we're looking at today or we wouldn't be looking
21 at the legislation. But to the extent that what
22 we're doing there is because we believe it's good,
23 because the Banking Commission believes it's good,
24 we deposit funds in those branches. I don't
25 understand the distinction that between that and

2 today's legislation for a purpose that we broadly
3 think is sensible. We would deposit funds in
4 institutions that meet the goals that we share.

5 ELAINE A. KLOSS: I'm sorry. I
6 don't know what your question is.

7 CHAIRPERSON VANN: Just agree to
8 disagree.

9 COUNCIL MEMBER LANDER: Okay.

10 [Pause]

11 COUNCIL MEMBER LANDER: My last
12 question, all right I had two more. Well, can I
13 ask two more? Are you familiar with the rules of
14 the Banking Commission that provides you the
15 discretion to refuse to designate banks if they,
16 for example, close more branches than they open in
17 low income neighborhoods?

18 ELAINE A. KLOSS: Yes, I am.

19 COUNCIL MEMBER LANDER: So are the
20 Banking Commission rules in violation of
21 procurement by policy?

22 ELAINE A. KLOSS: I'm sorry; I
23 don't understand what you're asking me.

24 COUNCIL MEMBER LANDER: Okay. I
25 mean if there are rules that the Banking

2 Commission has that determine who you can do
3 business with based on policy criteria, your rules
4 already embed exactly the thing we're talking
5 about.

6 ELAINE A. KLOSS: You mean for
7 designating banks or for the BDD program?

8 COUNCIL MEMBER LANDER: No, I moved
9 on from BDD.

10 ELAINE A. KLOSS: Okay.

11 COUNCIL MEMBER LANDER: I said we
12 were agreeing to disagree there. As I understand
13 it, your rules provide you the discretion to
14 refuse to designate a bank as a depository if they
15 close more branches than they open over a certain
16 period of time in the low income neighborhood.

17 ELAINE A. KLOSS: That's correct.

18 COUNCIL MEMBER LANDER: Okay. So I
19 would just submit that that seems to me
20 procurement by policy in a way which is no
21 different from the legislation we're talking about
22 here.

23 ELAINE A. KLOSS: May I just say
24 something?

25 COUNCIL MEMBER LANDER: Of course.

2 ELAINE A. KLOSS: Designating a
3 bank is what the Commission does; the procurement
4 is done by the agencies, which is totally
5 separate.

6 COUNCIL MEMBER LANDER: But we
7 can't do business with them if we don't designate
8 them.

9 ELAINE A. KLOSS: Correct.

10 COUNCIL MEMBER LANDER: So it seems
11 to me they're a related part of the procurement
12 process.

13 ELAINE A. KLOSS: The Banking
14 Commission selects banks that the City is then
15 able to do business with. So procurement
16 decisions are not based on. They're totally
17 separate. They're doing business with designated
18 banks. A bank that has lost its designation can
19 no longer do business with the City.

20 COUNCIL MEMBER LANDER: Okay. I
21 just would end by saying I think maybe we disagree
22 a little bit in terms of what service we're
23 thinking that we're purchasing. I mean I'm still
24 old fashioned in my thinking about banking. I
25 still imagine Jimmy Stewart at the teller window.

2 But to me we're purchasing not just only when you
3 purchase banking services, you're making a
4 transaction with someone not simply to hold your
5 money but to hold and invest your money. That's
6 part of the transaction that you're considering.
7 I think as a city it is very much our business to
8 consider the holding and investing of our
9 resources as part of what we're purchasing when we
10 purchase banking services.

11 ELAINE A. KLOSS: City money is not
12 held in these banks. We sweep out as much of it
13 as we can overnight and invest it. We have taken
14 away that money that they were holding in the
15 past.

16 COUNCIL MEMBER LANDER: Thank you
17 very much. I appreciate you being here today.

18 CHAIRPERSON VANN: Very, very last
19 question from members is Darlene Mealy.

20 COUNCIL MEMBER MEALY: Good
21 morning. Now I know what my colleague in Bushwick
22 said that she don't have banks, I don't have banks
23 in Brownsville, and hearing all this I can kind of
24 see why. It's like the cat and mouse game.
25 You'll never get the right answer.

2 Does the Banking Commission keep
3 track of the number of type of affordable products
4 and services offered by designated banks and how
5 the lending and investments designated banks to
6 have affordable housing or economic development
7 projects in low income communities? Do you track
8 it?

9 ELAINE A. KLOSS: We would look at
10 that when we do the redesignation of banks, every
11 other year.

12 COUNCIL MEMBER MEALY: So you do
13 that. How do you use this information to open up
14 a bank?

15 ELAINE A. KLOSS: You mean to
16 designate a bank?

17 COUNCIL MEMBER MEALY: Yes.

18 ELAINE A. KLOSS: We review
19 everything that they send to us, their financial
20 statements, the history of the bank, where they're
21 located.

22 COUNCIL MEMBER MEALY: So you know
23 how much. You have a system that you know how
24 much the bank in that area has designated to
25 affordable housing, to economic developments in

2 low income communities? You know exactly?

3 ELAINE A. KLOSS: By community?

4 COUNCIL MEMBER MEALY: Yes. We
5 just said the low income communities.

6 ELAINE A. KLOSS: I would have to
7 get back to you on that. I'm not certain whether
8 we have that level of information.

9 COUNCIL MEMBER MEALY: I'm just
10 asking do you invest in housing. You said you all
11 don't do RFPs but if someone, a minority owner in
12 a low or moderate income neighborhood, applies for
13 a development project, that bank can give them
14 these services, right? They shouldn't have to go
15 all the way to Manhattan. So do you have a
16 database to state how much you all offer, or if
17 you offer any services like this?

18 ELAINE A. KLOSS: Are you talking
19 about a city project, like HPD, something that
20 they would get into?

21 COUNCIL MEMBER MEALY: Anything,
22 yes.

23 ELAINE A. KLOSS: I think HPD would
24 have that information. We could certainly get it.

25 COUNCIL MEMBER MEALY: Not the

2 Commission. Does the Banking Commission simply
3 reply--oh that's another, do you reply on the CRA
4 to ensure banks are offering services?

5 ELAINE A. KLOSS: Do we use the CRA
6 rating? Yes.

7 COUNCIL MEMBER MEALY: You do?

8 ELAINE A. KLOSS: Yes, the federal
9 CRA ratings.

10 COUNCIL MEMBER MEALY: Okay, that's
11 good. The application becoming a Bank Development
12 District, the State Banking Department requests
13 the bank to provide narrative descriptions of the
14 population demographics, including but not limited
15 to the percentage of population non-English
16 speaking, minorities and disabilities. With this
17 information, why don't you require the same
18 information designated in the application?

19 ELAINE A. KLOSS: The application
20 for?

21 COUNCIL MEMBER MEALY: Have you
22 ever upgraded your application--

23 CHAIRPERSON VANN: [interposing]
24 The designated bank.

25 ELAINE A. KLOSS: Well, that's a

2 state program. We are reviewing everything right
3 now to see if we can add more to the application
4 for--

5 COUNCIL MEMBER MEALY:

6 [interposing] Have you all ever thought about
7 changing the application?

8 ELAINE A. KLOSS: Of course, yes.

9 COUNCIL MEMBER MEALY: You have a
10 committee?

11 ELAINE A. KLOSS: Yes.

12 COUNCIL MEMBER MEALY: How often do
13 you meet?

14 ELAINE A. KLOSS: We just started
15 meeting recently.

16 COUNCIL MEMBER MEALY: Do you know
17 how old the application is?

18 ELAINE A. KLOSS: Our New York
19 City--

20 COUNCIL MEMBER MEALY:

21 [interposing] That you all have never changed it.

22 ELAINE A. KLOSS: I've been here
23 about a year. I'm not certain when it was last
24 changed. We redesignate banks every other year.

25 CHAIRPERSON VANN: I'm sorry.

2 Regrettably, we have to move on once you've
3 finished.

4 COUNCIL MEMBER MEALY: I think the
5 application has not been amended in years. If
6 we're really going to serve communities correctly,
7 I believe we should at least see when the
8 application will be upgraded. They are meeting
9 now but some way or another we have to find out
10 when this application is changed.

11 CHAIRPERSON RECCHIA: Council
12 Member Vann and myself are right on top of this.
13 We know that the Banking Commission sends out to
14 the Comptroller's Office some documentation to be
15 looked at. We know that they are looking at it
16 and we are in touch with the Banking Commission.
17 We'll be talking with them and we'll probably give
18 them some recommendations on things for the
19 application.

20 CHAIRPERSON RECCHIA: Ms. Kloss, I
21 have some questions I need some answers to. When
22 they redesignate, I know you're working on the new
23 application with the Comptroller's Office. Did
24 you ever consider or does the Banking Commission
25 charge a fee when an application for designation

2 or redesignation?

3 ELAINE A. KLOSS: No, there is no
4 fee.

5 CHAIRPERSON RECCHIA: Wouldn't
6 charging a fee or raising a fee make sense to
7 cover the cost of additional expenses raised by
8 this bill? You keep on saying you don't have the
9 funding, you don't have the staff, you can't
10 afford it. Did you ever consider raising a fee
11 for this and that could help us offset the cost
12 for hiring so the Banking Commission could act and
13 do the job that it's set out to do?

14 ELAINE A. KLOSS: We have not
15 considered that.

16 CHAIRPERSON RECCHIA: That's one of
17 the things that we'll be talking to you about.
18 During our November hearing, you stated that the
19 Comptroller's Office conducts an annual survey of
20 all city agency bank accounts that hold city
21 funds. You also stated that you never saw such a
22 survey; therefore, you were unaware of the
23 contents that were in the survey. We asked the
24 Comptroller's Office for a copy of the survey and
25 they're telling us that no survey exists. So I

2 want to know what survey you were talking about.

3 ELAINE A. KLOSS: They do a survey,
4 as of I think June 30th every year and it--

5 CHAIRPERSON RECCHIA: [interposing]
6 Is that the redesignation?

7 ELAINE A. KLOSS: No. It's all
8 agency bank accounts. They do a reconciliation.
9 I think it's available sometime in September or
10 October.

11 CHAIRPERSON RECCHIA: So it's a
12 reconciliation?

13 ELAINE A. KLOSS: Just to verify
14 their records of what bank accounts are out there.

15 CHAIRPERSON RECCHIA: So it's not
16 an actual survey. It's their reconciliation that
17 they do in the regular ordinary course of
18 business.

19 ELAINE A. KLOSS: They also have
20 the bank balances that are held on these accounts
21 at the end of the fiscal year.

22 CHAIRPERSON RECCHIA: Is that
23 information in the CAFRA [phonetic]?

24 ELAINE A. KLOSS: Pardon me?

25 CHAIRPERSON RECCHIA: Is that

2 information in the CAFRA?

3 ELAINE A. KLOSS: I don't know, but
4 I can find out. I really don't know the answer.

5 CHAIRPERSON RECCHIA: Okay. I'm
6 going to follow-up with a letter with you on this
7 issue. The Comptroller's Office is unable to be
8 here today but we are in touch with them, been
9 meeting with them and discussing this. They will
10 be at the next hearing to give some insight.

11 The other question, in the
12 documents provided to the Finance Committee by
13 your agency, your office stated that a
14 questionnaire was previously used to ascertain a
15 bank's level of community service and such
16 questionnaire has been discontinued. We asked for
17 a copy of this questionnaire but we never received
18 anything. No one is able to locate a copy. We
19 would like to see a copy of this questionnaire.
20 Can you explain to us the system of data
21 collection and the retention that the Banking
22 Commission uses? What you're using in place of
23 this questionnaire?

24 ELAINE A. KLOSS: We tried to find
25 that questionnaire after the last hearing. I

2 found reference to it in minutes from the Banking
3 Commission meeting on December 26th, 1989. At
4 that time it was being introduced. There was no
5 record of this questionnaire. I can't even find
6 it for you. There is none in my office anywhere.

7 CHAIRPERSON RECCHIA: So what do we
8 use? That's a bigger problem because then what
9 are we using to collect this information? What
10 data? What reports are we using to collect all of
11 this information from the banks?

12 ELAINE A. KLOSS: We get reports in
13 when we redesignate them every other year. So
14 that information will be coming in, in the next
15 month or two.

16 CHAIRPERSON RECCHIA: So you say
17 that the reports are coming in the next month or
18 two. So that means this redesignation application
19 that I have in my hand can't be modified. It's
20 too late. That's what you're saying, because it
21 already went out.

22 ELAINE A. KLOSS: We're in the
23 process of modifying it now. It's not too late.

24 CHAIRPERSON RECCHIA: When do you
25 think you'll have an up to date one?

2 ELAINE A. KLOSS: As soon as I can
3 get back to work.

4 CHAIRPERSON RECCHIA: I guess we're
5 keeping you from it.

6 ELAINE A. KLOSS: No, we're working
7 on it. I'm not trying to be funny.

8 CHAIRPERSON RECCHIA: No, no, I
9 understand. I know that you're working on it. I
10 know that the Comptroller's Office is working on
11 it with you. What we would like to know, we hope
12 that before it goes out that you would share it
13 with this committee so can meet and discuss it you
14 and give you some insights. But if you would
15 like, we have some recommendations that we would
16 like to make and we'll send them to you with a
17 letter. We would love to come and present them,
18 maybe at a Banking Commission meeting, to make
19 sure everyone clearly understands where we stand
20 and what our reasoning is to do these
21 recommendations. When is the next meeting?

22 ELAINE A. KLOSS: At the moment
23 there is not one scheduled, but those are posted
24 in the City Record five days before they're held.

25 CHAIRPERSON RECCHIA: I know.

2 ELAINE A. KLOSS: We can always let
3 you know.

4 CHAIRPERSON RECCHIA: Yeah, I
5 appreciate that. I know the last time we sent a
6 representative from our office to attend. Council
7 Member Al Vann, do you have anything further?

8 CHAIRPERSON VANN: Thank you very
9 much.

10 CHAIRPERSON RECCHIA: Okay, without
11 seeing any further questions, I want to thank you
12 both for coming. This has been very productive.
13 We have a lot of work to do. I look forward to
14 working with you and the Commissioner of the
15 Department of Finance.

16 ELAINE A. KLOSS: Thank you.

17 CHAIRPERSON RECCHIA: We're going
18 to start calling the panels.

19 CHAIRPERSON VANN: The State
20 Banking Commission.

21 CHAIRPERSON RECCHIA: New York
22 State Banking Department. Wendy? Alicia. Ms.
23 Kloss, could you keep somebody here maybe from
24 your intergovernmental so they could hear what
25 everybody has to say?

2 ELAINE A. KLOSS: Yes.

3 CHAIRPERSON RECCHIA: I would
4 greatly appreciate that.

5 [Pause]

6 CHAIRPERSON RECCHIA: We've been
7 joined by Council Member Vincent Gentile from Bay
8 Ridge.

9 [Pause]

10 CHAIRPERSON RECCHIA: Ready to
11 begin? Just identify both of you who are sitting
12 here.

13 WENDY TAKAHISA: Good morning, my
14 name is Wendy Takahisa, and I'm pleased to present
15 the testimony on behalf of Richard Neiman, the
16 Superintendent of Banks for the New York State
17 Banking Department. I am the Director of the
18 Banking Department's Community Reinvestment or CRA
19 unit, which is part of the Consumer Services
20 Division. I'd like to recognize Dianne Dixon, who
21 is the Deputy Director of the Consumer Service
22 Division at the Banking Department.

23 I know we're a little short on time
24 here, so I may just skip some of the introduction
25 or go through it a little bit quickly.

2 CHAIRPERSON RECCHIA: That's great.

3 WENDY TAKAHISA: You have my full
4 testimony.

5 CHAIRPERSON RECCHIA: Just give us
6 the points we think are real important.

7 WENDY TAKAHISA: There you go. I
8 just would like to point out that New York is one
9 of only seven jurisdictions in the country that
10 has a state or local CRA statute. In our case,
11 it's Banking Law 28b and the implementing
12 regulations which is Part 76 of the General
13 Regulations of the Banking Board.

14 The law was enacted in 1978, just
15 one year after the federal statute. We do examine
16 more than 90 New York State chartered banks for
17 compliance with CRA. All of our banks are also
18 examined for compliance with the federal CRA
19 statute by a federal regulator, generally either
20 the FDIC or the Federal Reserve Bank of New York.
21 We do attempt to conduct these CRA exams
22 concurrently with their federal regulators in
23 order to maximize consistency in the examination
24 processes and ratings.

25 The Banking Department supports the

2 goals of the New York City Responsible Banking
3 Act, or Intro 485. We agree that banks in New
4 York City should be working to address the key
5 credit and financial services need of New York
6 City, particularly the needs of low and moderate
7 income people and neighborhoods and small
8 businesses.

9 We support the idea that when
10 choosing among banks offering comparable services
11 at a comparable cost, city agencies should, in a
12 manner consistent with law and established
13 guidelines, seek to deposit or invest funds at and
14 obtain services from the available banks that have
15 received the highest classification in meetings
16 the needs of the communities in which they
17 operate.

18 However, the Banking Department
19 strongly urges the City Council to consider an
20 alternative method to achieve this worthy
21 objective. Specifically, we suggest that the
22 Council authorize the Commissioner of Finance to
23 use the CRA ratings imposed by the Banking
24 Department and/or the federal regulators as a
25 factor in determining whether to conduct business

2 with a particular bank, rather than require the
3 creation of a new rating system.

4 As proposed, the New York City
5 Responsible Banking Act would largely duplicate
6 the already required CRA reviews, resulting in a
7 burden on scant New York City government resources
8 without a commensurate public benefit.

9 All of the banks that would be
10 affected by this legislation, provided they are
11 insured by the federal government, are also
12 subject to CRA either by the federal regulators or
13 by both federal regulators and the New York State
14 Banking Department. CRA exams, as you know, as
15 designed to review and rate each bank's
16 performance in meeting the needs of its
17 communities. Different standards are used for
18 small, intermediate small, large and wholesale
19 banks to ensure that each bank is assessed within
20 the performance context that corresponds to its
21 size and business strategies.

22 We know that to be most effective,
23 the Commissioner of Finance would need to develop
24 a similar methodology to distinguish between the
25 performance of banks of different sizes and

2 business strategies. We can tell you from
3 experience that that's no easy task.

4 The proposed legislation sets forth
5 seven factors that the commissioner must consider
6 in evaluating a bank's level of responsiveness in
7 addressing the credit and financial needs of the
8 city communities in which a bank conducts
9 business. However, every one of these factors
10 already is considered in a bank's CRA examination.

11 For example, we review the number
12 and dollar value of loans extended by a bank to
13 low and moderate income individual, specifically,
14 as well as within low and moderate income
15 communities.

16 We review the investments made by a
17 bank within low and moderate income communities,
18 the grants provided to organizations working with
19 the LMI population and the community development
20 activities undertaken by a bank to address the
21 housing and economic problems of the low and
22 moderate income communities.

23 Bank regulators review a bank's
24 level of small business lending. And unlike our
25 federal counterparts, the Banking Department

2 continues to review how each bank ascertained the
3 credit needs of its communities.

4 CRA exams are quite intensive. We
5 look at performance over the span of several
6 years, which gives us a clearer picture of whether
7 community investment is trending upward or
8 downward. At the largest banks, a CRA examination
9 generally involves hundreds of staff hours. Even
10 at the smallest banks, CRA examinations usually
11 involve two weeks of onsite examination, in
12 addition to time spent reviewing data offsite,
13 both in preparation for the exam and in writing
14 the evaluation.

15 In contrast, this amendment would
16 ask the commissioner to judge a bank's performance
17 based on a public hearing and a snapshot review of
18 data already included in CRA evaluations.

19 Reviewing and analyzing this material would
20 require significant resources at a time when city
21 budgets are strained and would pose an additional
22 regulatory burden on banks, particularly the
23 smaller banks, unfairly placing them at a
24 disadvantage.

25 Although this legislation proposes

2 public hearings as the means by which public input
3 on a bank's performance can be solicited, CRA
4 exams already provide such an avenue. The Banking
5 Department and other bank regulators routinely
6 publish a list of upcoming CRA exams and encourage
7 the public to comment on bank performance. In
8 fact, some of the groups that are presenting
9 testimony today have used this process to submit
10 comments to us.

11 Banks are required to keep a file,
12 which is publicly available, of all written
13 comments related to their CRA performance.
14 Moreover, community feedback is directly
15 incorporated into the CRA evaluation process. A
16 routine component of CRA exams is meeting with
17 community groups to solicit input, both on
18 community need and on a bank's performance.

19 The results of all CRA
20 examinations, both federal and state, are public.
21 CRA exams are the only bank regulatory
22 examinations where the results are public. These
23 public evaluations include detailed information on
24 a bank's lending, service and investments, and
25 each bank receives a CRA rating on its

2 performance. Thus, methods already exist for the
3 public to participate in the evaluation of bank's
4 performance, making the proposed public hearings
5 duplicative.

6 Advocating for this expanded use of
7 CRA, the Banking Department recognizes that CRA is
8 an imperfect measuring tool and that reform is
9 needed. To that end, the Banking Department is
10 committed to working with the federal regulators
11 to reform the federal CRA exams and to making
12 commensurate changes in the state process.

13 Rather than creating new tests for
14 New York City banks, we urge the City Council to
15 participate in efforts to reform and improve CRA.
16 Several of the reforms that the Banking Department
17 has supported would better assist the city in
18 classifying banks than the proposed legislation.

19 For example, the Banking Department
20 has advocated for, one, more nuanced ratings by
21 adding more rating choices. Currently there are
22 only four rating choices available: outstanding,
23 satisfactory, needs to improve and substantial
24 non-compliance. We have proposed that two
25 additional ratings, high satisfactory and low

2 satisfactory, be added to better rank bank
3 performance.

4 Two: we support modernizing the
5 ways for the public to comment on a bank's CRA
6 record and for the evaluations to be made
7 available by allowing the submission and posting
8 of public comments through bank regulator
9 websites.

10 Three: we think we should increase
11 the exams' emphasis on innovative and responsive
12 investment programs to further encourage this
13 activity.

14 Next, require all banks to be
15 judged on their retail services, not just large
16 banks as is done today. At the federal level we
17 think reinstating an evaluation of board and
18 senior management involvement in CRA to ensure
19 that community investment is taken seriously by
20 the institution. The Banking Department already
21 does this at the state level.

22 Changing the strategic plan to
23 encourage more banks to use this option and
24 broadening the scope of community needs reviewed
25 by the exam to include the bank's provision of

2 support of outcomes-based financial education,
3 affordable healthy food, energy efficient
4 buildings and other new needs that are identified
5 in LMI communities.

6 As should be clear from the above,
7 the Banking Department strongly supports the goals
8 of this legislation, even while disagreeing with
9 the methods proposed to achieve these goals. We
10 believe that the Council could be most effective
11 in strengthening existing efforts that promote
12 community investment and responsiveness to the
13 community's financial needs.

14 For example, like the state, New
15 York City administers the Banking Development or
16 BDD program, which the prior panel testified
17 about. Both BDD programs, the state and the city,
18 are designed to encourage the establishment of
19 bank branches in areas with a demonstrated need
20 for banking services.

21 The state program is administered
22 by the Banking Department while the Banking
23 Commission administers the city's program. We
24 work closely with the commission to identify ways
25 to improve these programs. One area of concern is

2 the need to cap the amount of deposits available
3 for the program.

4 In case you're unfamiliar with the
5 BDD program, and I know we talked about it this
6 morning, but let me explain that both programs
7 promote the establishment of new bank branches
8 that will provide affordable bank products and
9 services on un-banked or under-banked areas by
10 offering to deposit millions of dollars of
11 subsidized and collateralized municipal funds in
12 the new branch.

13 From our discussions with the
14 Banking Commission, it is likely that the amount
15 of municipal funds available for these deposits
16 may be capped, if they've not been capped already,
17 at \$250 million. Given that there are 21 New York
18 City BDD branches receiving subsidized municipal
19 deposits totally \$200 million, the ability to
20 establish new BDD branches under the city's
21 program is in jeopardy. We strongly encourage the
22 City Council to remedy the situation to ensure
23 that the city's BDD program continues to thrive
24 and provide communities with bank branches
25 offering affordable bank products and services.

2 In addition, we urge the Council to
3 consider the impact this proposed legislation may
4 have on the city's BDD program. Institutions that
5 wish to participate in the BDD program would also
6 be obligated to apply under the Responsible
7 Banking Act process.

8 All of the data and information
9 that a bank would be required to submit under this
10 legislation would be a significant burden on
11 smaller institutions. Yet, we are seeing a trend
12 in that more and more it is the smaller banks that
13 are interested in applying to the BDD program.

14 Compliance with the reporting, data
15 submissions and public hearings required by this
16 legislation may discourage these institutions from
17 applying to the BDD program. Despite the fact
18 that the BDD program advances the very same goals
19 of community reinvestment that this legislation
20 seeks to achieve.

21 We note that in none of the other
22 cities where similar legislation has been adopted
23 is there either a state CRA exam or a BDD program.
24 It would be tragic if the vehicle we chose as a
25 means of increasing community reinvestment

2 actually resulted in a decrease of the same.

3 Today, the New York State Banking
4 Department is here in support of the New York City
5 Banking Act's laudable goal of encouraging banks
6 to be more responsive to community needs by making
7 their performance a factor in doing business with
8 the city. We applaud the legislative intent to
9 encourage banks to lend more, invest more and
10 provide more services in New York City.

11 However, we believe this goal can
12 be achieved by using the existing CRA ratings,
13 allowing the city to increase accountability for
14 banks without using additional government
15 resources or increasing the regulatory burden on
16 banks.

17 On behalf of the New York State
18 Banking Department, my colleague Dianne Dixon and
19 Superintendent Neiman, I thank you again for this
20 opportunity to present these comments, and I
21 welcome any questions.

22 CHAIRMAN RECCHIA: Thank you very
23 much. Before I ask some questions, I'm going to
24 let my colleagues ask questions first. We'll
25 start off with Council Member Lew Fidler.

2 COUNCIL MEMBER FIDLER: Thank you,
3 Mr. Chairman. Does the Banking Commissioner have
4 an opinion as to whether or not this Intro is
5 preempted by state law?

6 WENDY TAKAHISA: I don't believe
7 the Superintendent has taken any position on that.

8 COUNCIL MEMBER FIDLER: Okay. What
9 is the difference, if any, between the state
10 criteria in the CRA process and the federal
11 criteria?

12 WENDY TAKAHISA: There are always
13 some differences. First of all, we do focus on
14 activities within the state, whereas for some of
15 the banks that are multi-state, obviously the
16 federal regulators are looking beyond New York
17 State.

18 We also do have some different
19 criteria. We look at things like board and senior
20 management involvement. We look at whether or not
21 the banks are ascertaining the community needs,
22 which is to say that they're working with the
23 community to both figure out what's needed and
24 responding to those with marketing materials.

25 Beyond that, I think there are some

2 differences generally when you look at the
3 individual exams in terms of how much one
4 regulator versus another may have viewed excellent
5 performance overall versus really good performance
6 in one community versus another. Other
7 differences around how important innovative and
8 flexible activities are as opposed to sheer
9 volume. There are some qualitative factors within
10 a CRA exam, so you're always going to find some
11 differences.

12 COUNCIL MEMBER FIDLER: The Council
13 briefing paper on this bill lists eight areas of
14 new criteria. They're all important and
15 significant to me as a member of the Council's
16 representative on the board of the Center for New
17 York City Neighborhoods, the issue of
18 restructuring delinquent home loans and the banks
19 relative cooperation in doing that for people who
20 are in foreclosure distress is particularly
21 important.

22 Are any of these already a part of
23 the state criteria for CRA?

24 WENDY TAKAHISA: Yes, they are.
25 But quite specifically, a bank's participation in

2 helping troubled homeowners through the
3 foreclosure process is included in the services
4 criteria of community development services. But I
5 think also if you will read some, and as well as
6 the fact that the Banking Department has
7 significant latitude in that the regulation does
8 allow the superintendent to consider any other
9 factors.

10 I think if you look at some of the
11 recent CRA exams, you will see quite specifically
12 where we note a bank's efforts in terms of their
13 foreclosure--what they're doing in terms of
14 modifications and foreclosure prevention. It's
15 very much a part of what we look at.

16 COUNCIL MEMBER FIDLER: To
17 specifically add criteria, as opposed to this
18 omnibus or whatever else--

19 WENDY TAKAHISA: [interposing] No,
20 it's in there already under the services criteria.

21 COUNCIL MEMBER FIDLER: I'm not
22 going to quiz as to whether on all eight of these
23 are specifically part of your criteria.

24 WENDY TAKAHISA: I believe they
25 are, sir. I believe they are.

2 COUNCIL MEMBER FIDLER: All eight
3 are?

4 WENDY TAKAHISA: Yes.

5 COUNCIL MEMBER FIDLER: If one were
6 to want to add criteria to the state CRA process,
7 is that done legislatively or does the banking
8 commissioner have the authority to add them?

9 WENDY TAKAHISA: I think the answer
10 would be it depends. Obviously there are some
11 things that we do which are legislative under 28b,
12 but the implementing regulations can be done, at
13 the moment, by the Banking Department by the board
14 of directors. By the banking board--I can't
15 speak. I'm sorry. That may change, obviously,
16 given what's going on at the state. But there are
17 some things that could be done on a regulatory
18 basis and some things that we'd need legislative.
19 It would really depend on what the proposed change
20 was.

21 CHAIRMAN RECCHIA: Council Member,
22 do you have--

23 COUNCIL MEMBER FIDLER:
24 [interposing] Last question. The public input
25 process for CRA on the state level, where are

2 those hearings done?

3 WENDY TAKAHISA: Hearings are not
4 required. Hearings can be held if the Banking
5 Department feels that it's appropriate. Most of
6 the input is done through meetings, through one-
7 on-one meetings and through letters.

8 Historically, that's what in the last year.

9 COUNCIL MEMBER FIDLER: Thank you.

10 CHAIRMAN RECCHIA: Council Member
11 Brewer?

12 COUNCIL MEMBER BREWER: Thank you.
13 Good testimony. I'm a little upset with the
14 Finance Department because they could have
15 answered my question with we have a federal CRA
16 and then we're one of seven states, as you
17 indicated, that have a state CRA. That would have
18 been a more appropriate answer. Thank you for
19 your testimony.

20 WENDY TAKAHISA: Well, we're very
21 concerned about CRA.

22 COUNCIL MEMBER BREWER: Yes, and I
23 appreciate that. My question is even if it is an
24 out of state bank, can you regulate via CRA? In
25 other words, we've got, on this list, it looks

2 like New Jersey, I think there's somebody from
3 Newark and Boston, et cetera. Is that something
4 that you could also have oversight over?

5 WENDY TAKAHISA: No. We would only
6 regulate those banks which are state chartered.
7 So it's not just whether or not they're located
8 but they have to be state chartered.

9 COUNCIL MEMBER BREWER: Okay. So
10 that's an answer to my question. The second
11 question is I have great respect for Council
12 Member Vann and for Council Member Recchia, and
13 I've asked my staff to sign on to the bill, but I
14 don't want to duplicate, which is sort of what
15 you're stating. Are there some ways that we could
16 rewrite this bill that would both get at the
17 direction that the sponsors want and not duplicate
18 do you think? Would we have to write something
19 that would do that or can we automatically
20 tagalong. We can't for the out of state banks.
21 There are quite a few on this list. I don't
22 remember the exact number, but there are some.

23 WENDY TAKAHISA: But the out of
24 state banks still do get federal CRA ratings.

25 COUNCIL MEMBER BREWER: Correct.

2 WENDY TAKAHISA: So I think, as I
3 think the Bank Commission is doing, but I think
4 charging the Banking Commission to use the CRA
5 ratings, to value more heavily banks that do get
6 outstanding, to devalue banks that get needs to
7 improve. I don't know whether or not the
8 regulation would allow them to not do business
9 with somebody that's substantially noncompliant,
10 but certainly to take that into account I think
11 would be very important. I think it would
12 dovetail with the efforts that are going on at
13 both the federal and the state level to improve
14 CRA and to give CRA more teeth and more stature,
15 which is I think one of things we're all looking
16 to do here.

17 COUNCIL MEMBER BREWER: The last
18 question is do you think that we'd have to rewrite
19 legislation or can it be done without city
20 legislation as proposed here? Hard to know maybe.

21 WENDY TAKAHISA: I'm going to
22 defer.

23 DIANNE DIXON: As I understand
24 what's already in the Banking Commission's rules,
25 they can already use CRA ratings as a factor in

2 determining whether or not to designate a bank.

3 So no new legislation seems to be necessary.

4 COUNCIL MEMBER BREWER: Thank you.

5 CHAIRMAN RECCHIA: Just to cut in
6 and just to follow up on Gale Brewer, this
7 legislation is important because the Banking
8 Commission is not doing what they could do, set
9 out in their rules and regulations. That's number
10 one.

11 Number two: we find different
12 things should be given more weight here in New
13 York City than the state. What affects statewide
14 could be a high priority. What could be faced in
15 New York City is a different high priority. This
16 is a serious, serious problem.

17 Again, I'm going to go back to
18 Chase Manhattan Bank. They are not modifying
19 these mortgages. They have millions of dollars
20 from New York City. You can't even get somebody
21 on the phone. Forget about trying to work out
22 something, you can't even get somebody on the
23 phone. These are big banks, so there is a need
24 for this legislation.

25 WENDY TAKAHISA: I couldn't agree

2 with you more that there are different needs in
3 New York City versus New York State. I think as
4 the State Banking Department we very much take
5 that into account when we're doing CRA exams.
6 Certainly when we're doing CRA exams in New York
7 City, the need for multifamily housing is much
8 more important than it is in upstate communities
9 where we're looking at single family housing. CRA
10 really, as written, gives us not just the ability
11 but the obligation to do CRA exams taking into
12 account community need. So I couldn't agree with
13 you more that that's important.

14 As you know, the Banking Department
15 cares greatly about the foreclosure issues. I
16 think you know that you're preaching to the choir
17 here.

18 CHAIRMAN RECCHIA: CRA, you know,
19 if you look at their ratings, 98 percent of the
20 banks receive a satisfactory or an outstanding
21 from the federal banking agencies. You know what
22 I mean? Very rare do you see a failing
23 indication, a failing grade.

24 WENDY TAKAHISA: I would urge folks
25 to produce more public comments. I'm often

2 astounded at how few public comments we get when
3 we are doing CRA exams.

4 CHAIRMAN RECCHIA: We would love to
5 sit down with you and have a follow up
6 conversation.

7 WENDY TAKAHISA: I would love to.
8 I would love to.

9 CHAIRMAN RECCHIA: We have some
10 more questions from some Council Members and the
11 hour is getting late. We have a lot of people who
12 came here to testify and we want to hear what they
13 have to say. Council Member Lander?

14 COUNCIL MEMBER LANDER: Thank you
15 very much for being here. So I just want to start
16 with making one thing clear. Our chairman,
17 Council Member Recchia, spoke of JPMorgan Chase
18 and we learned at the last panel that they're the
19 primary provider of the services we're talking
20 about. Does the State Banking Department do a CRA
21 examination of JPMorgan Chase?

22 WENDY TAKAHISA: No, they're not a
23 state chartered bank.

24 COUNCIL MEMBER LANDER: How about
25 Citibank?

2 WENDY TAKAHISA: They're also not
3 state chartered.

4 COUNCIL MEMBER LANDER: Have you
5 done any checking between the institutions that
6 the Banking Commission is in fact depositing in
7 and the banks that you do CRA reviews of?

8 WENDY TAKAHISA: I'm afraid I don't
9 understand the question. I apologize.

10 COUNCIL MEMBER LANDER: Have you
11 looked to see, of those institutions--

12 DIANNE DIXON: [interposing]
13 Certainly of the banks that we read out earlier
14 this morning of the 35, there are several that are
15 on our list, yes.

16 COUNCIL MEMBER LANDER: Which ones?

17 DIANNE DIXON: I'm not sure I can
18 do all of them. State Bank of Long Island I
19 recall. I'm trying to remember. Victory Bank,
20 and I'm trying to remember the others. I
21 apologize.

22 COUNCIL MEMBER LANDER: But Ms.
23 Kloss made quite clear that the vast majority of
24 the services that we're talking about--

25 DIANNE DIXON: [interposing] I'm

2 sorry. Goldman Sachs is one of ours, since
3 somebody had made a comment about that.

4 COUNCIL MEMBER LANDER: But Ms.
5 Kloss made clear that the vast majority of the
6 services that we're talking about are done by a
7 small number of banks. The only one that she
8 mentioned was Chase. But I think that leads us to
9 believe that the vast majority of the business
10 that we're talking about is done by federal
11 institutions that you guys do not review, you do
12 not regulate, you do not do CRA exams of. So I
13 don't really understand.

14 I mean it's true, I think you guys
15 do a better and more thorough review. It's great.
16 I was looking and you've given needs to improve to
17 Atlas Savings and Loan and the State Bank of
18 India. That's great.

19 WENDY TAKAHISA: And they take it
20 very seriously.

21 COUNCIL MEMBER LANDER: I'm sure
22 the State Bank of India and Atlas Savings and Loan
23 take it very seriously but it doesn't seem like
24 JPMorgan Chase takes the State Banking Department
25 CRA reviews too seriously because they're not

2 subject to it, right?

3 WENDY TAKAHISA: They're subject to
4 federal regulations. They're not subject to the
5 state regulations. That's correct.

6 COUNCIL MEMBER LANDER: Okay. So I
7 think for starters I don't really understand the
8 testimony that the State Banking Department's CRA
9 reviewers are relevant here if the vast majority
10 of the service that we're talking about doesn't
11 come under your jurisdiction at all.

12 WENDY TAKAHISA: But I would hate
13 to see this legislation hurt the smaller banks by
14 asking them to do more and discouraging them from
15 participating in the BDD program. I would be
16 worried in fact about that.

17 COUNCIL MEMBER LANDER: That's a
18 good point.

19 WENDY TAKAHISA: Unintended
20 consequences.

21 COUNCIL MEMBER LANDER: And to the
22 extent your point is let's make sure we don't
23 discourage small banks from participating in the
24 BDD program, I think that's very helpful. I'm
25 confident that we can take it into consideration

2 as we move forward. I guess the other piece of
3 your testimony I wanted to ask some questions
4 about. It was great to see your long list of ways
5 in which CRA reform needs to take place. I
6 couldn't agree more at both the federal and the
7 state level. Are you optimistic that we're going
8 to see CRA reform at the federal and state level?

9 WENDY TAKAHISA: I am. Personally,
10 I am, but now I'm not speaking for the Bank
11 Department. Now I'm speaking for me. Yes, I am.

12 COUNCIL MEMBER LANDER: Okay.

13 WENDY TAKAHISA: Those of you who
14 know, know I'm a pretty optimistic person.

15 COUNCIL MEMBER LANDER: I welcome
16 your optimism. I try to share like an optimism of
17 the will, but also a pessimism of the intellect.

18 WENDY TAKAHISA: There's a serious
19 conversation going on--

20 COUNCIL MEMBER LANDER:

21 [interposing] There is no chance that the
22 Republican House of Representatives is going to
23 agree to the set of things that the Banking
24 Department has testified to here.

25 WENDY TAKAHISA: I don't think that

2 the federal government--they did hold hearings
3 around the country. They took thousands of
4 comments. I know that they are working their way
5 through them.

6 COUNCIL MEMBER LANDER: All right.

7 CHAIRMAN VANN: Thank you.

8 COUNCIL MEMBER LANDER: A couple of
9 very specific yes or no type questions.

10 CHAIRMAN RECCHIA: All right, hurry
11 up, Council Member, we have to go. We have a lot
12 of people here to testify.

13 COUNCIL MEMBER LANDER: Down to
14 what level do either the federal or the state CRA
15 exams get in terms of meeting community credit
16 needs? What level of geography?

17 WENDY TAKAHISA: It depends upon
18 the assessment area of the bank. Typically, in
19 the public evaluations you may see things at the
20 MSA level, but during the examination process we
21 go down generally to the country level. So we'll
22 look at Brooklyn, Bronx, Manhattan separately.

23 COUNCIL MEMBER LANDER: We need to
24 get a lot more detail than that.

25 WENDY TAKAHISA: More detail than

2 the county level?

3 COUNCIL MEMBER LANDER: Yes. I
4 mean, yes, there is a whole set of neighborhood
5 issues in our communities. That's the whole point
6 of this legislation--

7 [Crosstalk]

8 WENDY TAKAHISA: [interposing] I
9 think on the community development side it is by
10 neighborhood but in terms of mortgages and small
11 businesses it does tend to get looked at by the
12 county level.

13 COUNCIL MEMBER LANDER: I think
14 that's just one more example that we need a local
15 law that helps us really meet the community credit
16 needs of our neighborhoods, not just our counties.

17 CHAIRMAN RECCHIA: Okay, Council
18 Member, thank you very much.

19 COUNCIL MEMBER LANDER: Thank you
20 for all your indulgence, Mr. Chairs.

21 CHAIRMAN VANN: A point of
22 clarification. You indicated the criteria that we
23 recommend in our legislation you said is already
24 being listed, if you will, in the CRA. Yet those
25 services are not being provided at the local

2 level. So what is the harm or what is the
3 preemption problem? What is the regulatory
4 problem by the New York City Banking Commission?
5 It means they wouldn't have to go to the banks to
6 get that information. They can go to the CRA and
7 get that information because it's already there.
8 So it should simplify their process, right?

9 DIANNE DIXON: I think requiring
10 the Banking Commission to look at the information
11 that's available within the CRA, not just the
12 rating but the full public evaluation and to take
13 that into account would be a fantastic thing.

14 CHAIRMAN VANN: So you agree with
15 the--

16 WENDY TAKAHISA: [interposing] We
17 agree that using the information that we think is
18 already currently used--

19 CHAIRMAN VANN: [interposing] We
20 don't care where they get it, we just list the
21 criteria. You told me it's already there in the
22 CRA. So they don't have to ask the banks
23 anything. All they've got to do is go the
24 databank or whatever and list that information
25 out.

2 DIANNE DIXON: They can pull the
3 public evaluations, absolutely.

4 CHAIRMAN VANN: Right. Thank you
5 very much.

6 CHAIRMAN RECCHIA: Okay. Without
7 seeing any further questions, I just want to say
8 one thing. You said JPMorgan Chase is a federal
9 regulated--

10 DIANNE DIXON: [interposing]
11 Correct.

12 CHAIRMAN RECCHIA: According to the
13 Department of Finance website and the information
14 we got, it's state regulated.

15 DIANNE DIXON: It depends upon I
16 guess whether you're talking the bank or one of
17 their affiliates. But for CRA purposes their
18 regulator is I believe the--

19 CHAIRMAN RECCHIA: [interposing] I
20 guess this is another way around the--

21 DIANNE DIXON: [interposing] No,
22 no, no. The State Banking Department regulates a
23 large of non-depository institutions and it's
24 quite possible that one of their affiliates is--

25 CHAIRMAN RECCHIA: [interposing]

2 Okay. I just wanted that for clarification.

3 DIANNE DIXON: But it wouldn't be
4 for CRA.

5 CHAIRMAN RECCHIA: Without seeing
6 any further questions, we have a lot of panels to
7 call. I want to thank you. If you could, just
8 give us your information.

9 WENDY TAKAHISA: I will be here and
10 I'm not leaving. Ms. Dixon has to leave but I'll
11 stay.

12 CHAIRMAN RECCHIA: Okay, Ms. Dixon,
13 we want to thank you very much. Thank you. Thank
14 the New York State Banking Department.

15 You can call the next panel.

16 CHAIRMAN VANN: Thank you very
17 much. The next panel is: ANHD, Benjamin Dulchin;
18 NEDAP, Sarah Ludwig; Lutheran Church of Good
19 Shepherd, Reverend David Rommereim, and LISC of
20 New York City, Sarah Hovde.

21 [Pause]

22 CHAIRMAN RECCHIA: Before you
23 start, I just want to make one announcement. The
24 New York State Banking Association could not be
25 here today because they had to be up in Albany.

2 But they will be submitting written testimony and
3 it will be made part of the record. So the New
4 York State Banking Association will not be here
5 because they had a prior commitment to be up in
6 Albany today. Thank you.

7 CHAIRMAN VANN: Also, I regret to
8 indicate that we don't have very much time at all.
9 We ask you to please just summarize the salient
10 points that you think we need to hear. Obviously,
11 we'll read your testimony and we'll go over it in
12 great detail. But for this afternoon, we just
13 need a brief summary of the essential points that
14 we need to address. Thank you. Proceed at your
15 will.

16 [Pause]

17 BENJAMIN DULCHIN: Thank you very
18 much. My name is Benjamin Dulchin. I'm the
19 Executive Director of the Association for
20 Neighborhood and Housing Development. I will be
21 very brief. I've submitted my testimony. I'll
22 just try to summarize a couple of the key points
23 and then comment on one or two of the things that
24 was raised in previous testimony.

25 I want to start by thanking

2 Chairman Recchia and Chairman Vann for introducing
3 this excellent bill and the New York City Council
4 for taking on this issue. It's very impressive to
5 see sort of how much work and how much thought has
6 gone into this and we are very grateful for what
7 the institution has done on this.

8 I'll try to be very brief. There
9 are lots of reasons to be angry at banks for their
10 lack of responsiveness to credit needs in the wake
11 of the financial crisis: predatory equity, lack of
12 mortgage write downs, closing branches in poor
13 neighborhoods, not making small business loans
14 when they're so desperately needed.

15 We would pull back and say that as
16 angry as we are as well at ANHD about these bank
17 abuses, the truth is that we need to have banks at
18 the table with the city government and with
19 communities to provide the credit needs that our
20 communities so desperately need from making loans
21 on affordable housing to keeping branches in
22 working class neighborhoods, to providing small
23 business loans, the range of services and credit
24 needs that the banks meet.

25 The Community Reinvestment Act has

2 been the tool, the regulatory tool that has
3 brought banks to the table. Since the Community
4 Reinvestment Act was passed 30 years ago, banks
5 have been by courtesy of oversight have been
6 brought back into these communities and brought
7 back in to meet these credit needs.

8 However, in the last number of
9 years, there have been dramatic shifts in the
10 industry that have made CRA an increasingly dull
11 tool. What makes CRA work at a federal level is
12 that broadly it requires banks to meet the credit
13 needs of the local communities in which they do
14 business. That is often effective for banks that
15 are of a moderate size. The image of banks when
16 CRA was passed 30 some years ago was that banks
17 tended to be sort of more local institutions.
18 With the repeal of the Glass-Steagall Act in the
19 late 1990s, there was a huge movement on the
20 bank's part to consolidate.

21 Increasingly now in New York City,
22 our banking services are dominated by institutions
23 that are multiregional, national, even global in
24 scale. The CRA as it currently exists is simply
25 an ineffective tool to bring an institution that

2 is national in scale to really understand what
3 that bank is doing in terms of their very local
4 level of credit needs.

5 CRA requires that banks report for
6 the banking reinvestment activity at an MSA level
7 which is really regional; it's far greater than
8 New York City. We in New York City understand
9 that the credit needs of downtown Brooklyn
10 compares the corridors of the South Bronx compared
11 to East New York compared to the Lower East Side
12 compared to El Barrio, the communities of New York
13 City have very different credit needs. To have
14 banks simply report on what they're doing at a
15 regional level is simply insufficient. County is
16 insufficient if we look at the diversity of credit
17 needs of the cities of New York.

18 So the Responsible Banking Act is
19 meeting a very unfulfilled need. I think we all
20 understand, sort of in the partnership that
21 advocates and community groups have had with the
22 New York City Council and other city agencies as
23 we've been frustrated with the abuses of banks in
24 the last number of years.

25 None of us have the tools to really

2 understand the type of banking investment activity
3 that's currently going on or have any leverage
4 over the banks. I think we've all been struggling
5 with this as we struggle to try to get banks to
6 write down mortgages, as we struggle to understand
7 why banks are pulling back from their investments
8 in affordable housing, as we struggle to prevent
9 banks from doing predatory lending and in fact to
10 restructure the debt on these over-leveraged
11 multifamily builds.

12 We don't have the information to
13 really understand what they're doing and nor do
14 any agencies or community groups have the leverage
15 to push banks to be better local actors. That is
16 the intent of the Responsible Banking Act. It is
17 essential a sunshine bill that requires banks to
18 report, that encourages banks to report at a very
19 local level so that government agencies, so that
20 city agencies and community groups can understand
21 what the banks are doing, where they see the banks
22 acting properly to praise and to encourage and
23 when they see them acting improperly, to
24 discourage them.

25 CHAIRMAN VANN: I'm sorry.

2 Regrettably, I'm going to have to ask--we have to
3 be out of here in almost 15 minutes. I'm going to
4 have to ask you to each to summarize in about two
5 minutes.

6 BENJAMIN DULCHIN: I will leave my
7 colleagues to make the rest of my points.

8 CHAIRMAN VANN: Because there are
9 several other panels that also have to be heard.
10 I really hate to seem insensitive but I have no
11 choice. So please, two minutes, summarize so we
12 can get some other panels.

13 CHAIRMAN RECCHIA: Jerry, can we go
14 on the clock.

15 CHAIRMAN VANN: We will read your
16 testimony.

17 SARAH LUDWIG: Hi, my name is Sarah
18 Ludwig. I'm loathe to speak in complete
19 sentences, given what you've just said, but key
20 words might not work either. I represent the
21 Neighborhood Economic Development Advocacy
22 Project, nor NEDAP. I want to thank you for
23 holding this hearing on this very important
24 ordinance.

25 It was really interesting to hear

2 this morning's testimony, including opposition
3 from the City Treasurer on an ordinance that
4 strikes us as eminently reasonable, sound, good
5 public policy and enlightened. I think what you
6 as a City Council face is a choice between
7 pursuing enlightened public policy, or benighted
8 or unenlightened public policy.

9 I'll just very quickly address some
10 of the comments that have come up so far because
11 you will have my written testimony as it's handed
12 out, which makes our sort of affirmative points in
13 support of the local ordinance.

14 One thing that we heard was that
15 the City Treasurer said there's a problem here.
16 Some of you addressed this but I feel it's really
17 important to underscore it in the few seconds that
18 I have. That you're requiring the Department of
19 Finance, or sorry the Finance Commissioner--the
20 sentence should stop right there. There is
21 nothing being required of them. So when they say
22 that you're putting them in a position and that
23 they're objecting to it because they may only make
24 their procurement decisions, which I took out of
25 the written testimony, is a nonstarter.

2 Also, there was a question about
3 confusing the public. I think the confusion lies
4 with the Treasurer, not with the public. For
5 reasons that others have underscored, really this
6 as we see it is part of the application process.
7 That gets to this question about the Community
8 Reinvestment Act.

9 Although we have tremendous respect
10 for our colleagues at the New York State Banking
11 Department and are really heartened that they
12 embrace the spirit and intention underlying this
13 ordinance and that they want to see changes in
14 CRA, this isn't about CRA exams. This is not
15 about an examination. This is about deciding
16 where city deposits could go, based on information
17 that banks render, not in an examination process
18 but in response to the application. These are
19 very different things that have also legal
20 implications that our organization would be happy
21 to speak to you about.

22 Also, as has been raised, 98
23 percent of banks under federal CRA ratings get a
24 satisfactory or outstanding rating. I'd be
25 interested in hearing what the numbers are at the

2 state level. But for reasons that Council Member
3 Lander raised, it's also a nonstarter because
4 we're not even talking about the banks that take
5 New York City deposits being regulated by the
6 State Banking Department because they have the
7 national charter.

8 The other last piece on that that
9 really struck me this morning was a lot of talk
10 about the inconvenience of having to move deposits
11 out of one depository institution. I ask you is
12 it inconvenient for us to say if a bank is harming
13 communities--put aside whether or not the bank is
14 not serving them, which is a for of harm--but if a
15 bank is actually harming communities through its
16 practices, we as a city say: oh it's inconvenient
17 to move our deposits. What kind of public
18 interest is that?

19 So I'll stop being so moralistic
20 because I don't have time. There's moral suasion
21 here. There's a legal basis for it.

22 It just popped into my head this
23 idea that also the State Banking Department, as
24 has been raised, regulates a small percentage of
25 the banks that we're talking about, although it's

2 very interested in protecting its regulatees, and
3 I think that language could be struck that does
4 that. What's powerful about this ordinance is
5 that it focuses on local communities.

6 The Community Reinvestment Act, we
7 just testified in D.C. about the Community
8 Reinvestment Act before the federal regulators
9 saying we need to put the C back in CRA. There
10 needs to be a local focus, local contour, and an
11 ordinance like this presents a very simply
12 framework for encouraging banks, community
13 organizations, public officials, government
14 agencies to sit down at the table in a productive
15 way and hammer out meaningful ways that banks can
16 meet community credit, services and investment
17 needs.

18 This is a discourse that we have
19 not seen. We need to return to that. The
20 leverage can be achieved through such an
21 ordinance. Thank you very much.

22 CHAIRMAN RECCHIA: This City
23 Council, under the leadership of Christine Quinn,
24 hears you loud and clearly. That's why we've been
25 at the forefront in trying to get this done.

2 We're working with communities, working with the
3 State Banking Commission, the City Banking
4 Commission and with the congressional delegation
5 of the state. We hear you loud and clear and we
6 are moving forward together. Thank you.

7 JOSH SILVER: Can you hear me now?

8 CHAIRMAN RECCHIA: You're on. Go
9 ahead. We have to reset the clock.

10 JOSH SILVER: Reset the clock. Can
11 I have my eight seconds please? Does it have to
12 go down to zero?

13 CHAIRMAN RECCHIA: Go ahead.

14 JOSH SILVER: The National
15 Community Reinvestment Coalition strongly supports
16 the proposed bill, the Responsible Banking Act of
17 2011. I applaud your strong leadership. I am
18 Josh Silver, Vice President of Research and Policy
19 and I'm here expressing the views of NCRC.

20 We are an association of more than
21 600 community-based organizations around the
22 country that promote access to basic banking
23 service, responsible loans and investments.

24 Your bill will help ensure that
25 homeowners and small business owners that are

2 working hard and playing by the rules can receive
3 responsible loans. It is a sound principal
4 embedded in your bill that in return for receiving
5 municipal deposits, banks have an obligation to
6 directly serve all city residents in a safe and
7 sound manner.

8 The Community Reinvestment Act has
9 been effective but has not realized its potential
10 in New York City. For example, during 2009, CRA
11 covered banks issued about \$629 million in prime
12 home loans to low and moderate income borrowers
13 and \$889 million multifamily loans in low and
14 moderate income census tracts. However, the
15 Association of Neighborhood and Housing
16 Development has documented significant declines in
17 community development lending and investments over
18 the last couple of years.

19 The problem with just relying on
20 the federal CRA or the state CRA is the federal
21 CRA, a bank, particularly a large bank, can be
22 examined over several states. You can't even
23 assess the needs of Manhattan or Brooklyn or a
24 specific neighborhood in Manhattan or Brooklyn
25 with just the federal or the state CRA.

2 Also, the role of the public is
3 elevated in this bill. You cannot substitute the
4 federal and state CRA for public hearings in which
5 local residents and local community practitioners
6 can say to you specifically what is happening in
7 the neighborhoods and what banks are doing and not
8 doing in the neighborhoods.

9 CHAIRMAN RECCHIA: Okay. Thank
10 you.

11 JOSH SILVER: I just want to say we
12 look forward to working with you further in making
13 this bill a very effective instrument for your
14 city.

15 CHAIRMAN RECCHIA: I think the
16 Brooklyn congregation is next. All right.

17 REV. DAVID ROMMEREIM: It's very
18 difficult to ask a pastor to speak for one minute.

19 CHAIRMAN RECCHIA: I know.

20 REV. DAVID ROMMEREIM: That's
21 right. I'm David Rommereim, Lutheran pastor at
22 Bay Ridge, Brooklyn. I am representing Brooklyn
23 Congregations United.

24 Speaker Quinn came to our assembly
25 and introduced this bill to us and we are here, a

2 number of our people are here strongly supporting
3 you.

4 CHAIRMAN RECCHIA: We want to thank
5 you for the good work you do in Brooklyn. I'm a
6 neighboring district. I know the good work that
7 you do.

8 REV. DAVID ROMMEREIM: Thank you.
9 We can't duplicate what's been just said. We just
10 need to know that we are on the ground and we are
11 listening to what people are doing and they need
12 this responsibility act. They need it so that we
13 can challenge locally. Locally challenge our
14 congregation people to invest in banks that
15 reinvest in the neighborhood. We are watching and
16 we're very careful and we are very aggressive to
17 make sure that that's done appropriately.

18 We are very afraid of what has
19 happened in the last few years. You see two
20 little graphs there which are exemplary of the
21 profit as well as the loss. That is what's
22 working us. That's the kind of fear that we've
23 got. If you can implement this responsibly, you
24 will dispel some of the fear and allow us to then
25 work with you collegially and responsibly. So

2 thank you. One minute.

3 CHAIRMAN RECCHIA: Thank you.

4 Perfect, thank you. Next?

5 SARAH HOVDE: Hi, my name is Sara
6 Hovde. I work for the Local Initiative Support
7 Corporation of New York City. I'm going to be
8 very brief and summarize my testimony since most
9 of the points I was going to make have been made
10 by my predecessors on this panel anyway.

11 We support Intro 485 as a
12 reasonable and measured effort to shine a more
13 public light on how banks are meeting or not
14 meeting New York City's credit and financial
15 services needs. We think that simply by shining a
16 light on this, that will by itself incentivize
17 banks to provide better services and better meet
18 the community's credit needs.

19 Just a couple of points: it's
20 important to note that the bill doesn't require
21 banks to gather any information that they're not
22 already required to gather under federal
23 requirements such as CRA. However, what it does
24 allow is for the collection and analysis of data
25 at a geography level which is relevant to New York

2 City and our communities' needs, which is not true
3 of federal CRA exams.

4 It's also important to note that it
5 doesn't require the city to make any particular
6 investment or reinvestment decisions. It only
7 allows the city and encourages the city to take
8 into account the community responsiveness ratings.

9 So we think that the bill can play
10 an important role in filling information gaps that
11 currently exist. It's especially important to do
12 that now, given that foreclosure rates are still
13 very high. Irresponsible overleveraging of
14 multifamily rental housing has caused a lot of
15 damage in our communities. It's still much harder
16 than it should be for low and moderate income home
17 buyers to access mortgage credit.

18 So we thank you for holding this
19 hearing and we look forward to the passage of
20 Intro 485. Thank you.

21 CHAIRMAN VANN: Thank you. The
22 next panel is Christie Peale from Center for New
23 York City Neighborhoods; Deb Howard from PAC, the
24 Pratt Area Community Council; from Make the Road
25 New York, Columbia Inrovo [phonetic]; Asian

2 Americans for Equality, Richard Lee; Mohammad M.
3 Rachman [phonetic].

4 [Pause]

5 CHAIRMAN VANN: You know the drill.
6 Please begin.

7 CHRISTIE PEALE: Good morning. My
8 name is Christie Peale from the Center for New
9 York City Neighborhoods. I'm going to speak kind
10 of fast. Thank you for the opportunity and for
11 the bill and for all of your support.

12 Just a couple of points on
13 foreclosure and specifics: the information that we
14 would like to see elucidated by this bill is not
15 publicly available. It's not presented by CRA.
16 It's not presented by HAMP. It's not presented by
17 the OCC. What we do get from Treasury on HAMP,
18 which is the making home affordable loan
19 modification program, it tells us the information
20 on the New York City MSA which includes northern
21 New Jersey, Pennsylvania, parts of Long Island.
22 We need to know what's happening at least on a
23 borough by borough basis, if not on a more precise
24 census tract level.

25 So some of the things that we would

2 like to see brought out in such hearings, and we
3 do support the bill, if I wasn't clear about that.
4 The length of time it takes a bank to process a
5 loan modification request, how much monthly
6 payments are reduced, the amount of principal
7 reduction, frequency and amount of second lien
8 write downs, length of time in processing short
9 sales, what happens with REO properties, the
10 amount of discount offered to REO buyers, access
11 of credit to people buying REO loans. These are
12 all really specific information points that are
13 not publicly available. Thanks for your support.

14 DEB HOWARD: Hi, my name is Deb
15 Howard. I'm Executive Director of Pratt Area
16 Community Council. We serve the neighborhoods of
17 Bed-Stuy, Prospect Heights, Clinton Hill and Fort
18 Green in Brooklyn. Thank you, committee, for
19 holding this hearing. We are definitely in
20 support of it.

21 One point: \$60 billion go through
22 annually the Central Treasury accounts. That's
23 what Ms. Kloss said. Well isn't that an
24 incentive? You know, people aren't talking about
25 an incentive for depositing city money. I think

2 it's a clear incentive that this bill provides to
3 actually get banks to cooperate with the bill. I
4 mean if it's an inconvenience to change an
5 account, well maybe it's an inconvenience to a
6 bank to lose \$60 billion. So that would be one
7 point.

8 Our neighborhood suffers from
9 predatory lending at both a small home level and
10 at the multifamily level. We've had banks that
11 really have, whether it was Wachovia at the time,
12 Wells Fargo, Washington Mutual that's now--right
13 now, for instance, we had 305 clients that are
14 facing foreclosure this year that we helped, 139
15 are still waiting for loan mods. It's slow. The
16 servicers are not doing what they need to do to
17 push this forward.

18 CHRISTIE PEALE: Can I make one
19 more?

20 CHAIRMAN RECCHIA: Go ahead.

21 CHRISTIE PEALE: Just that it's
22 really difficult work to work with loss mitigation
23 foreclosures. That banks that do the difficult
24 work should be rewarded. They're making a very
25 hard effort. If they are, they should get the

2 benefit.

3 CHAIRMAN RECCHIA: We heard you
4 loud and clear and that's why I made that
5 statement earlier today. Next?

6 FELIPE IDROVO: Good morning, my
7 name is Felipe Idrovo. I am a member of the
8 community organization Make the Road New York.

9 I speak and I read in Spanish.
10 [Foreign language].

11 CHAIRMAN RECCHIA: Gracias.

12 STEPHANIE ELLER: As a result of the
13 economic crisis caused by Wall Street there was a
14 domino effect of bank failures. Soon thereafter,
15 a bank with more capital, Chase Manhattan Bank,
16 began to absorb smaller banks like Washington
17 Mutual. Without me even being aware of it, I was
18 no longer a customer at Washington Mutual and I
19 became a customer of Chase which immediately ended
20 the program of small business development. The
21 interest rates went up and they put an end to a
22 program that was having positive results.

23 It was benefiting me personally so
24 I know it was possible. I had the opportunity to
25 create my own business but it died because of the

2 arbitrary decision of financial entities which
3 have the power to make and unmake the future of
4 economic development in our communities. Cases
5 like mine are all too common. Many people who
6 have tried to get ahead by opening a small
7 business have experienced something similar
8 because of the lack of financial service in our
9 communities.

10 As a worker and a member of the
11 community organization with more than 8,000
12 members in Queens, Brooklyn, and Staten Island who
13 suffer from the lack of financial services in our
14 communities, I demand more responsibility from the
15 banks. The banks should invest in our communities
16 and the city should create a mechanism to make
17 sure that banking activity in our neighborhood is
18 for the wellbeing of everybody, not just for a
19 few. Thank you.

20 CHAIRMAN RECCHIA: Thank you. Can
21 you just state your name for the record?

22 STEPHANIE ELLER: My name is
23 Stephanie Eller [phonetic]. I also work for Make
24 the Road.

25 CHAIRMAN RECCHIA: Before you

2 testify, you've got to just state your name. No,
3 no, I understand that. Because when they
4 transcribe the transcript, they need to know.

5 Next?

6 MOHAMMED RAHMAN: This is Mohammed
7 Rahman. I am a taxi driver. I brought this house
8 in 2005. So I bought this house in 2005. It's my
9 land and loan is Chase Manhattan Bank. So I apply
10 for a modification on this like almost 20 months
11 over. So they don't get the modification. All
12 the time on the paper is like after one month, get
13 your profit and loss, the bank statement and
14 everything paper I give them but they don't give
15 any nothing.

16 So 2010, I feel like the trial
17 payment so I give the trial payment. It's three
18 months. After three months they took money and
19 after three months they canceled my trial
20 payments. So they say you can apply again. So I
21 apply again, it's 2010, October. It still is
22 going on, this modification. They want paper,
23 paper, paper day by day but I don't get any
24 modification. So I want to keep my home and my
25 family. I have a four family, so I want to keep

2 my house. Anyway I need the modification. Thank
3 you very much. I'm from Bronx, it's Parkchester.

4 CHAIRMAN RECCHIA: Thank you.

5 RICHARD LEE: I can't really see
6 the time, so I'll just talk fast.

7 CHAIRMAN RECCHIA: You got your one
8 minute.

9 RICHARD LEE: So my name is Richard
10 Lee. I'm Public Policy Legislative Advocate for
11 Asian American for Equality. I'll keep my
12 comments very short because a lot of it has been
13 mentioned before.

14 Asian Americans for Equality is a
15 37 year old community development organization
16 that specializes in housing and small business
17 economic development. One thing that all of us
18 know is the recent downturn in the recession
19 really made clear how transparent and responsible
20 the local banks have to be to the communities that
21 they serve in. They have to act a lot more
22 transparent and align their credit needs with
23 local communities. We haven't been seeing it.

24 We're still seeing predatory
25 practices. REO was mentioned, purchasing REO

2 property to flip, to turn into affordable home
3 ownership programs have been very difficult. Loan
4 modifications are nearly impossible. I think one
5 Council Member before mentioned Chase. There are
6 banks that hold their entire mortgage, debt
7 mortgage of like one property that really isn't
8 going through. It's impossible to get
9 modifications for a lot of these loans.

10 The fact that CRA was mentioned,
11 you know CRA doesn't really work because a lot of
12 reasons that were mentioned by the previous panel.
13 CRA was really meant to be a national kind of
14 model and considered like the philanthropy test of
15 CRA. Philanthropy test really you're supposed to
16 give back to the communities you're serving but
17 for these large scale CRA tests they don't give
18 back to the communities like Brooklyn. They give
19 back to the communities where they're
20 headquartered. So that's a problem.

21 We wholly support the Responsible
22 Banking Act and hope that the City Council will be
23 able to do something until CRA actually gets
24 fixed.

25 CHAIRMAN VANN: Thank you. Thank

2 you, panel. Again, we apologize for the
3 briefness. The next to the last panel: Edward de
4 Barbieri, Verbal Justice something; Sarah Day
5 [phonetic]; Matthew Lee, Inner City Press for Fair
6 Financial something; Madeline Castillo [phonetic],
7 Development Corp; Paul Quintero and Edward
8 Josephson [phonetic]. Whoever is here, please
9 come up. Okay, Jamie Valencia [phonetic],
10 Elizabeth Beal [phonetic], Reverend Lancelot
11 Waldrun [phonetic].

12 [Pause]

13 CHAIRMAN VANN: You may begin in
14 order.

15 EDWARD DE BARBIERI: My name is
16 Edward de Barbieri and I'm a Staff Attorney at the
17 Community Development Project of Urban Justice
18 Center. Urban Justice Center provides legal
19 services to low income New Yorkers including
20 consumer debt defendants and also foreclosure
21 victims. We're very much in support of the
22 legislation. Contrary to what bank CEOs say, we
23 need more bank regulation, especially at the local
24 level. We support the legislation. Thank you.

25 MADELINE CASTILLO: Good morning,

2 my name is Madeline Castillo. I'm the Housing
3 Specialist at Astella Development Corporation.

4 CHAIRMAN VANN: Pull the mike
5 closer please.

6 MADELINE CASTILLO: I'm so sorry.
7 We are a community-based not-for-profit
8 organization in Coney Island community. I am here
9 today to support the Responsible Banking Act,
10 Intro 485. I have worked in the Coney Island
11 community for over 14 years. During this time, I
12 have met many people who do not have bank
13 accounts, checking accounts or an understanding of
14 bank services. People rely on check cashing
15 services which are expensive.

16 In addition, for many years there
17 was only one bank in the community and now we have
18 two banks. Yet the banks have to be responsive to
19 the needs of low and moderate income people. This
20 bill will help to achieve this. Reductions in
21 community development lending have made the
22 development of affordable housing, community
23 facilities and commercial revitalization efforts
24 far more difficult. Without this private capital,
25 it is difficult to ensure communities to remain

2 affordable and thriving places to live, work and
3 raise a family.

4 A seller has proposed projects that
5 have not been able to be completed because of the
6 reduction in community development and lending.
7 The Responsible Banking Act will help to build low
8 and moderate income communities. The Responsible
9 Banking Act will ensure that banks are held
10 responsible, establish a process in which there
11 would be input on local credit needs and
12 opportunities by local stakeholders.

13 CHAIRMAN VANN: Thank you.

14 MADELINE CASTILLO: Thank you.

15 CHAIRMAN RECCHIA: I just want to
16 thank you and Astella for all that you have done
17 in Coney Island. It's a pleasure working with
18 you.

19 MADELINE CASTILLO: Thank you. I
20 truly appreciate that.

21 CHAIRMAN RECCHIA: Next.

22 EDWARD JOSEPHSON: Good morning.
23 My name is Edward Josephson and I'm with Legal
24 Services New York City. I just wanted to address
25 one point which is that I think everyone is

2 familiar with the disaster that's occurred in the
3 small single-family mortgage market as a result of
4 irresponsible lending activity. What I want to
5 put emphasis on is the similar crisis that is
6 unfolding in the multifamily portfolio based on
7 the same kinds of speculative and irresponsible
8 practices.

9 What we're already seeing,
10 particular in the Bronx is portfolios of hundreds
11 of rent-regulated apartments literally physically
12 collapsing because of speculation that has led to
13 disinvestment and disrepair. Yet when city
14 departments like HPD approach the lenders and say
15 work with us and help us preserve these portfolios
16 and have a good outcome for the tenants, let us
17 say that they get much less cooperation than the
18 city deserves.

19 The fact that the Responsible
20 Banking Act will rate the banks on their level of
21 cooperation in these kinds of crisis is a very,
22 very important aspect of this bill which is not
23 covered by the Community Reinvestment Act or state
24 banking regulations. Thank you.

25 REV. LANCELOT WALDRON: Good

2 afternoon. My name is Reverent Lancelot Waldron.
3 I'm the President with Queens Congregations United
4 for Action. We're located in Northeast Queens.

5 We come here in support of the
6 Responsible Banking Act. We would like this
7 committee to make sure that as we go forward that
8 we will realize that our communities which are
9 mainly low income communities do need the services
10 of banks that are responsible. We have situations
11 in which many of the pastors have to sometimes
12 have congregations that are seeking their mortgage
13 to be placed in a way in which these families will
14 be able to stay in their homes. I think this bank
15 will make it possible for them to be able to do
16 that more effectively.

17 We also would like to encourage
18 this organization as we go forward to make sure
19 that banks are responsible and our communities are
20 developed more responsibly. Thank you.

21 CHAIRMAN VANN: Thank you. Thank
22 you very much. Again, we wish we had more time
23 but we don't. We have your testimony, your
24 written testimony. We'll read it. We've heard
25 you and we will continue to move forward with this

2 legislation. Have you got one more? That's it.

3 CHAIRMAN RECCHIA: Okay, we're all
4 done. Do we have the Bankers Association
5 testimony for the record? Okay. If anybody would
6 like a copy of it, they can see Jerry. We want to
7 thank you all today. We'd like to thank our
8 staffs for doing a great job. This concludes this
9 hearing.

C E R T I F I C A T E

I, Donna Hintze certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

Signature 

Date March 11, 2011