

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

in favor     in opposition

Date: 4/7/11

(PLEASE PRINT)

Name: SARAH DAAY

Address: 457 E. 28 STREET

I represent: 457 E 28 ST BLOCK ASSOC.

Address: BROOKLYN, NY 11226

Please complete this card and return to the Sergeant-at-Arms

**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 485 Res. No. \_\_\_\_\_

in favor     in opposition

Date: 3/7/11

(PLEASE PRINT)

Name: EDWARD JOSEPHSON

Address: 105 CULT ST

I represent: LEGAL SERVICES NYC

Address: \_\_\_\_\_

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THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 485 Res. No. \_\_\_\_\_

in favor  in opposition

Date: 3/7/11

(PLEASE PRINT)

Name: Elaine Kloss, Asst Commissioner, Treasury

Address: Dept of Finance

I represent: Dept of Finance + Chris Browne,

Address: 66 John St, 12<sup>th</sup> Floor Asst Commissioner,

NYC 10038 Communications +  
Gov't Affairs

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Date: \_\_\_\_\_

(PLEASE PRINT)

Name: Josh Silver

Address: NCR C 727 15<sup>th</sup> St. NW

I represent: NCR C

Address: 727 15<sup>th</sup> St. NW Wash. DC

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in favor  in opposition

Date: 3.7.11

(PLEASE PRINT)

Name: Jaimel Valencia

Address: 711 Walton Ave

I represent: CASA - New Settlement

Address: 1512 Townsend Ave

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Appearance Card

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in favor  in opposition

Date: 3.7.11

(PLEASE PRINT)

Name: Rev. David Lommerein

Address: Lutheran Church of Good Shepherd  
7420 4<sup>th</sup> Ave

I represent: Brooklyn Congregations United

Address: \_\_\_\_\_

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**THE COUNCIL  
THE CITY OF NEW YORK**

*Appearance Card*



I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

in favor  in opposition

Date: \_\_\_\_\_

Name: Claudio Idrovo (PLEASE PRINT)

Address: 43-04 National street apt. 3-

I represent: Make the Road NY.

Address: 92-10 Roosevelt av.

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**THE COUNCIL  
THE CITY OF NEW YORK**

*Appearance Card*



I intend to appear and speak on Int. No. \_\_\_\_\_ Res. No. \_\_\_\_\_

in favor  in opposition

Date: March 7

Name: Matthew Lee (PLEASE PRINT)

Address: \_\_\_\_\_

I represent: Inner City Press / Fair Finance watch

Address: PO BOX 580188 Mt Carmel Stz BX 10458

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in favor     in opposition

Date: 3/7/11

(PLEASE PRINT)

Name: PAUL QUINTERO

Address: 115 E. 23RD ST, 7TH FL, NYC 10010

I represent: ACCION USA

Address: \_\_\_\_\_

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in favor     in opposition

Date: 3-7-11

(PLEASE PRINT)

Name: Elizabeth Biele

Address: 150 Seeley Street

I represent: Kolot Chayenu Synagogue - Brooklyn, NY - Corporation Limited

Address: \_\_\_\_\_

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Date: 3/7/11

(PLEASE PRINT)

Name: Sarah Hovde

Address: \_\_\_\_\_

I represent: LISC NYC

Address: 501 7th Ave NYC

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in favor  in opposition

Date: 3/7/11

(PLEASE PRINT)

Name: Mohammed M. Rahman

Address: 1946 Black Rock Ave Bronx, NY-10472

I represent: Chhaya CDE

Address: \_\_\_\_\_

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in favor  in opposition

Date: 3/7/11

(PLEASE PRINT)

Name: Benjamin Dulcin

Address: AMHD - 56 Broad St

I represent: \_\_\_\_\_

Address: \_\_\_\_\_

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in favor  in opposition

Date: \_\_\_\_\_

(PLEASE PRINT)

Name: Wendy Takhis

Address: \_\_\_\_\_

I represent: NYS Banking Dept

Address: 1 State St NYC 10004

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in favor  in opposition

Date: 3/7/11

(PLEASE PRINT)

Name: Rev LANCELOT WAITRON

Address: \_\_\_\_\_

I represent: QCA

Address: 29th ME, CORONA, NY

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Date: 3/7/11

(PLEASE PRINT)

Name: Sarah Ludwig

Address: 176 Grand St., Suite 300, NYC 10013

I represent: WEDAP

Address: \_\_\_\_\_

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Date: 3/7/11

(PLEASE PRINT)

Name: CHRISTIE PEALE

Address: \_\_\_\_\_

I represent: Center for NYC Neighborhoods

Address: 74 TRINITY PL. # 1302 NYC

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in favor  in opposition

Date: 3/2/11

(PLEASE PRINT)

Name: Deborah Howard

Address: 238 Adelphi St Brooklyn 11205

I represent: PACC

Address: 201 Dekalb Ave Bk 11205

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Date: 3/7/11

(PLEASE PRINT)

Name: RICHARD LEE

Address: 108 NORFOLK ST NY NY

I represent: ASIAN AMERICANS FOR EQUALITY

Address: 108 NORFOLK ST

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**THE COUNCIL  
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in favor  in opposition

Date: 3-7-2011

(PLEASE PRINT)

Name: REV. DAVID H. ROMBERG

Address: 7420 4TH AVE BROOKLYN 11209

I represent: BROOKLYN CONGREGATIONS UNITED

Address: \_\_\_\_\_

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in favor  in opposition

Date: 3/7/11

(PLEASE PRINT)

Name: EDWARD W DE GARBIE RI, WEBER JUSTICE CENTER

Address: 123 WILLIAM ST 16TH FLR

I represent: EB

Address: \_\_\_\_\_

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**THE COUNCIL  
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. 485 Res. No. \_\_\_\_\_

in favor  in opposition

Date: MARCH 7, 2011

(PLEASE PRINT)

Name: Madeline Castillo

Address: 3024 west 23rd Street Bklyn NY 1024

I represent: Astella Development Corp.

Address: 1618 Mermaid Avenue Bklyn NY 11224

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# *Astella Development Corp.*

1618 Mermaid Avenue • Brooklyn, New York 11224  
Tel. (718) 266-4653 • Fax (718) 996-8759 • e-mail [astellaci@aol.com](mailto:astellaci@aol.com)  
[www.astelladevelopment.org](http://www.astelladevelopment.org)

March7,2011

Good Morning, My name is Madeline Castillo. I am the housing specialist at Astella Development Corporation, a community based not for profit organization in the Coney Island community. I am here today to support the Responsible Banking Act (Intro 485).

I have worked in the Coney Island community for over 14 years. During this time I have met many people who do not have bank accounts, checking accounts or an understanding of bank services. People rely on check cashing services which are expensive. In addition, for many years there was only one bank in the community – now we have two banks. Yet the banks have to be more responsive to the needs of a low and moderate income people. This bill would help to achieve this.

Reductions in community development lending have made the development of affordable housing, community facilities and commercial revitalization efforts far more difficult. Without this private capital, it is difficult to ensure communities to remain affordable and thriving places to live, work and raise a family. Astella has proposed projects that have not been able to be completed because of this reduction community development lending. The Responsible Banking Act will help to build low and moderate income communities.

The Responsible Banking Act will ensure that banks are held responsible, establish a process in which there would be input on local credit needs and opportunities by local stakeholders.

I thank you .



## Asian Americans for Equality

108-110 Norfolk Street • New York, NY 10002  
Tel: 212-979-8381 • Fax: 212-979-8386 • www.aafe.org



**New York City Council**  
**Joint Finance and Community Development Committee Hearing on**  
**Responsible Banking Act**  
March 7, 2010

My name is Richard Lee, Public Policy and Legislative Advocate of Asian Americans for Equality. I would like to thank the City Council Finance Committee for allowing me to speak today on this important issue.

AAFE is a thirty-seven-year-old organization committed to community service and empowerment, assisting immigrants, low-income families, and minorities throughout New York City. AAFE serves over 30,000 thousand seniors, low-income residents and working families each year from all five boroughs of New York City, offering an array of programs that encompass the organization's comprehensive approach to community development, including: affordable housing development, small business assistance, homeownership, immigration, housing, social, and legal services, access to technology, youth development and education, and public policy and advocacy.

The recent downturn in the economy has led to significant changes in the banking industry. It is clear now more than ever that financial institutions, both big and small, need to act transparently and align with the credit needs of local communities. However, many of these banking institutions continue predatory practices at the expense of the working poor, and sadly, reforms have had a limited impact on the ability of homeowners, small business owners and working class families to access the credit they need to stay in their homes or keep their livelihoods in tact during this economic recession.

One such practice is predatory lending. AAFE has witnessed numerous instances of this occurring in Chinatown through a tactic called "demolition by intentional neglect" which most frequently targets low-income tenants living in rent-regulated apartments. Much like predatory equity, lenders provide overleveraged loans to developers, who in turn willfully and systematically neglect the maintenance of their buildings. Once the building is in a state of disrepair, these landlords call the Department of Buildings on themselves in order to evict the tenants. These same landlords, who had originally built a case for overleveraged loans, then do the opposite, building a case for undue burden by hiring real estate appraisers to deflate the value of their buildings, and contractors to overestimate the costs of repairs to the buildings. This allows them to file for demolition and provide an unbridled path to development in an already diminishing affordable housing market.

At the same time, investment into community development has been shrinking. Banks that hold their own mortgage debt portfolio have been reluctant to provide mortgage loan modifications for homeowners facing foreclosure. The discriminatory practice that fuels the sub-prime mortgage crisis persists as many families of color still face challenges accessing prime loans. Despite efforts at the national level to provide more access to

credit for small businesses suffering in this economy, local businesses, especially minority- and women-owned enterprises, are denied the loans they need. Across the board, investments into community development programs, aimed at developing new affordable housing, declined.

The City needs to discontinue its business with institutions that are destructive to our communities, and should work with financial institutions and firms that act responsibly, with the growth and vitality of New York City communities in mind. We wholly support the Responsible Banking Act as it will be an effective tool in holding banks accountable for these predatory activities. Thank you.

*a faith-based organizing effort to empower our people.*

# BROOKLYN CONGREGATIONS UNITED

New York City Council Finance Committee

Hearing on the Responsible Banking Act

March 7, 2011

Testimony of Deacon Ingrid Compton, St. Stephen's Lutheran Church and board  
member of Brooklyn Congregations United

I want to thank Council Member Reccia and Vann and Speaker Quinn for holding this hearing on this important legislation. Thank you so much for this opportunity to testify. Founded in 2007, Brooklyn Congregations United (BCU) is a multi-ethnic, congregation-based community organization developing powerful grassroots community leaders and building strong relational networks within and among congregations to change conditions for families in Brooklyn. We are a coalition of faith-based Local Organizing Committees (LOC) associated with more than 20 member congregations comprised of 10,000 congregants in the surrounding neighborhoods of Brooklyn. Our Catholic, Episcopalian, Lutheran, Jewish, and Muslim congregations work to improve daily life.

[www.brooklyncongregationsunited.org](http://www.brooklyncongregationsunited.org)

890 Flatbush Avenue, Brooklyn, N.Y. 11226

Tel. (718) 287-4334 - Fax. (718) 287-4355 - Email: [capbrooklyn@earthlink.net](mailto:capbrooklyn@earthlink.net)

*BCU is affiliated with PICO National Network*

*a faith-based organizing effort to empower our people.*

As an affiliate of the PICO National Network we use PICO's model of faith-based organizing to uncover concerns, identify solutions, and come together to achieve these solutions. In a local effort we worked with other community partners to increase Census participation rates in Brooklyn by 3%. In addition, we have formed a coalition with the United States Citizenship and Immigration Services and legal service providers to increase outreach to the Haitian population on Temporary Protected Status. We worked with Jews for Racial and Economic Justice and Domestic Workers United to achieve Domestic Workers Bill of Rights.

As an affiliate of a national organization, our leaders supported the State Child Health Insurance Program, ensuring that a key element of national health care reform was affordability for low income seniors, and educating low income homeowners about the Homeowners Assistance Modification Program while successfully advocating for the creation of a one billion dollar program for unemployed homeowners to access subsidies.

Our work began through collecting the stories of homeowners who are behind in payments because they are unemployed, of being underwater because what they owe is more than what their homes are worth, of block residents who are living next to dilapidated housing which no one lives in and no one is taking care of. We heard of tenants who are living in buildings the owner is not making repairs and

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trying to push them out so he can pay his mortgage. Of hearing about folks who lost their jobs on Wall Street or in service or nonprofit jobs –cutbacks due to the economic climate.

As we listened to hundreds of people across Brooklyn who are worried about what is happening to them and to the loss of opportunity for their young people, we realized that we must stand for them. With PICO, the NorthWest Bronx Community and Clergy Coalition, National People's Action and Clergy and NEDAP, BCU held a meeting with the Federal Reserve in October 2009 and asked them to take action to make banks respond to homeowners and tenants who are living in properties that face foreclosure. We received no responses. We then held a meeting with Treasury officials sharing stories from the Center for New York City Neighborhoods, South Brooklyn Legal Services, NorthWest Bronx Community and Clergy Coalition and others asking for response. Deacon Ingrid Compton and John Kemp, board members of Brooklyn Congregations United, met with Secretary Treasury Geithner at a meeting with PICO National Network to ask that banks be made to write down the principle on homes.

And Secretary Geithner seemed powerless to do anything about the fact that banks received federal subsidies because they were too big to fail and our people in

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Brooklyn are allowed to lose homes, live in substandard conditions, live next to buildings that are falling in on themselves, without opportunities. We don't think that's right. We think that the City Council is on the right path by calling for this legislation to shine a light on banking practices.

Brooklyn Congregations United believes that The Responsible Banking Act will be an effective tool to hold banks accountable for these destructive activities and establish a process for local stakeholders to provide input on possible remedies. We start with the local issues and we believe that attention to the local is critical. As banks have merged and grown in size, they have become disconnected from local credit needs. We are pleased that the legislation will encourage banks to refocus on local credit needs. According to the Federal Reserve of NY, 75% of small businesses who applied for credit in 2010 received "none" or "some" of the credit they wanted. The refusal of banks to provide credit to small businesses denies communities the capital they need to build and expand employment opportunities and economically viable communities. We have congregational members who want to start coffee houses, become fashion stylists, run childcare facilities, and create local businesses. Access to credit is critical for their success. We support the idea that city money should be deposited in banks that are responsive to the needs of the City's residents. We support community

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development lending for affordable housing, small businesses, and believe this is critical to the lifeblood of our communities. We are interested in seeing banks write down the principal of loans. Banks financed loans that didn't make sense and once the economy began to decline, many families began to face foreclosure. Banks then engaged in further reckless behavior with "robo-signing" to accelerate the foreclosure process while refusing to write down single family mortgages to sustainable levels to protect current homeowners. **Predatory Equity:** Banks have financed loans that only make financial sense if owners use predatory practices to kick out low-income tenants and/or neglect building maintenance. This has fueled massive tenant harassment, displacement, denial of essential services, and neighborhood de-stabilization. There are 100,000 overleveraged units in the city that are in danger of foreclosure yet banks who hold the mortgages have been negligent at ensuring the property remains in good physical condition or taking the building out of the speculative cycle by selling to a preservation purchaser.

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## Brooklyn Congregations United

New York City Council Finance Committee

Hearing on the Responsible Banking Act

March 7, 2011

Testimony of Reverend David Rommereim, Pastor of the Lutheran Church of the Good Shepherd and Vice Chair of Brooklyn Congregations United

I want to thank Council Members Reccia and Vann, together with Speaker Quinn for holding this hearing on this important legislation. Thank you so much for this opportunity to testify. It is so important that you are willing and eager to hear the voice from the local communities of our beloved and complicated New York City.

I have been a Lutheran pastor in NYC for most of 29 years. I have served in the South East Bronx, Manhattan, and now Brooklyn. I have been a local organizing priest who seeks to empower the voice of our faith traditions into the public square. I do so for the sake of the shalom of our city and the shalom of our local communities. What empowers me is the lifeblood of our faith traditions that make the central core of our private and public life a mark of justice and mercy.

I am also one of the founded leaders of what has become Brooklyn Congregations United (BCU). Since 2007, we have intentionally bridged a faith based organization that runs from Flatbush through Park Slope, into Sunset Park, and Bay Ridge. BCU is a coalition of faith-based Local Organizing Committees (LOC) associated with more than 20 member congregations comprised of 10,000 congregants in the surrounding neighborhoods of Brooklyn. We are Roman Catholic, Episcopalian, Lutheran, Jewish, and Muslim. We are an affiliate of the PICO National Network of 1,000 faith institutions representing 40 different religious denominations.

You know this city. You know that power is relational. We are also well aware of the inequities and disparities between many different sections of our beloved city. We are here with what I call the soul force of our faith traditions to ask you to find a way to hold banks accountable so that local communities may stand up and work toward their just due. We at BCU, together with PICO are watching you as we encourage you to implement this Banking Accountability Act. What has come to be called, the Great Recession, has inflicted untold suffering on millions of families and devastated thousands of communities across America. While the stock market inches upward, key indicators of community economic health still stand at record lows:

- One in seven Americans lives below the poverty line. People of color and the young are affected even more and 1 in 3 children of color living in poverty.
- More than 15 million people are looking for jobs ~ an historic high and many more are underemployed or have given up looking.

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- As of last fall, Banks were foreclosing on nearly 100,000 houses per month, with the heaviest losses in communities of color.

These statistics come from our national Affiliate PICO. We have seen and heard these statistics for more than two years now. Most of us know friends, family members, loved ones, and fellow congregation members who are suffering because of economic downturn.

At the heart of the broken economy and the broken social contract stands our banking system.

As a local priest, I am honored by the power I received from my membership to build what we call a community of well-being. As a citizen, I am fully aware that we have hired you through the electoral process to provide a similar community of well being. Moreover, because of that I offer my esteemed respect.

We use PICO's model of faith-based organizing to uncover concerns, identify solutions, and come together to achieve these solutions. I leave more of our credential to a footnote of this conversation that others of our organization may already have brought before you. I place them below for your information later.<sup>1</sup>

For this committee let me say that our work began through collecting the stories of homeowners who are behind in payments because they are unemployed, or, as they say *underwater* because what they owe is more than what their homes are worth. We listen to the lives of our communities where residents are living next to dilapidated housing which no one lives in and no one is taking care of. It threatens our community. We have heard of tenants who are living in buildings the owner is not making repairs and trying to push them out so he can pay his mortgage. We are well aware of folks who lost their jobs on Wall Street, or in service, or nonprofit jobs because of cutbacks due to the economic climate. These stories are nothing new to this committee.

Our power as a faith community rests in our desire and ability to listen and know that each of these stories has dozens and perhaps thousands of others who are living with the pain of what has been called, *The Great Recession*. As a faith leader, I know these people are living with uncertainty and fear, two of the great debilitating enemies. Others, of course, are greed and affluenza. Nevertheless, I am sure this Responsible Banking Act is one way to find a way out of that dilemma... at least on the score of bank and accountability to the common good.

You have probably heard of our collaboration with the national federation of PICO, the Northwest Bronx Community and Clergy Coalition, National People's Action and Clergy, and NEDAP. With that partnership, BCU held a meeting with the Federal Reserve in October 2009 and asked them to take action to make banks respond to homeowners and tenants who are living in properties that face foreclosure. We received no responses. We then held a meeting with Treasury officials sharing stories from the Center for New York City Neighborhoods, South Brooklyn Legal Services, Northwest Bronx Community and Clergy Coalition and others asking for response. Deacon Ingrid Compton and John Kemp, board members of Brooklyn Congregations United, met with Secretary Treasury Geithner at a meeting with PICO National Network to ask that banks be made to write down the principle on homes.

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As a pastor, I witness both power and powerlessness. In our meetings with Secretary Geithner, we knew he seemed powerless to do anything about the fact that banks received federal subsidies because they were to *big to fail*. His sensitivity, together with our angst as a people of faith, is that our people in Brooklyn appear to be allowed to lose homes, live in substandard conditions without opportunities the general welfare that is guide as a people.

My people always ask me to be clear. So, let me be clear. That is just not right. As a city, we can do better. We, at BCU, think that the City Council is on the right path by calling for this legislation to shine a light on banking practices.

Brooklyn Congregations United believes that *The Responsible Banking Act* will be an effective tool to hold banks accountable for these destructive activities. It is a good step in establishing a process for local stakeholders to provide input on possible remedies to the necessary investment into local community life. We are well aware that local investment has always been the power of New York.

At BCU, we know that banks have merged and grown in size so that it is common to think some bank is *too big to fail*. However, that little sound bite appears also to allow accountability to be negligent. We also know these disconnected banks have not offered local credit when that is called for more than ever.

We, at BCU, are pleased that the legislation will encourage banks to refocus on local credit needs.

Let me list a brief observation from a local vantage point:

- According to the Federal Reserve of NY, 75% of small businesses that applied for credit in 2010 received “none” or “some” of the credit they wanted. That is a pure example of banking greed and loss of local revenue.
- At BCU, we are well aware of congregational members who are imaginative entrepreneurs. They want to start coffee houses, become fashion stylists, run childcare facilities, and create local businesses. Access to credit is critical for their success.

Therefore, for our part in this conversation, we strongly support the insurance and the transparency possible from this legislation. The money we deposit in banks is money that we expect to be responsive to the needs of the City’s residents. Therefore, we support:

- Community development lending for affordable housing, small businesses.
- We would encourage banks to practice the art of transparent business practice and write down the principal of loans.

Finally, we hope you are successful to insure that Banks do not engaged in reckless behavior with “robot-signing”<sup>iii</sup> or Predatory Equity<sup>iii</sup> These practices have fueled massive tenant harassment, displacement, denial of essential services, and neighborhood de-stabilization.

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*a faith-based organizing effort to empower our people.*

As a faith community, we collaborate with you in public life when we share the desire for broad based stability. That line of separation between the faith community and public life has always been a line of conviviality when justice and mercy is our shared objective. I thank you for your work and your insight to listen to a local voice which, like you, seeks the welfare of our beloved city, for in its welfare is our own welfare.

With All due respect I remain,

Rev. David H. Rommereim

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*i In a local effort, we worked with other community partners to increase Census participation rates in Brooklyn by 3%. In addition, we have formed a coalition with the United States Citizenship and Immigration Services and legal service providers to increase outreach to the Haitian population on Temporary Protected Status. We worked with Jews for Racial and Economic Justice and Domestic Workers United to achieve Domestic Workers Bill of Rights. As an affiliate of a national organization, our leaders supported the State Child Health Insurance Program, ensuring that a key element of national health care reform was affordability for low income seniors, and educating low income homeowners about the Homeowners Assistance Modification Program while successfully advocating for the creation of a one billion dollar program for unemployed homeowners to access subsidies.*

*ii Robo-signing accelerates the foreclosure process while refusing to write down single-family mortgages to sustainable levels to protect current homeowners.*

*iii Predatory Equity is where Banks finance loans that only make financial sense if owners use predatory practices to kick out low-income tenants and/or neglect building maintenance.*

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**Testimony submitted to the New York City Council Development Committee on behalf of CASA-New Settlement Apartments in support of the Responsible Banking Act**

March 7<sup>th</sup>, 2011

***Introduction***

Thank you for hearing our testimony today. We are grateful to have the chance to participate in such an important hearing on issue which is vital to the health of New York City. We are submitting our testimony today on behalf of tax and rent paying citizens who hold you, as elected officials who sit on the New York City Development Committee, to high standards. We are writing to explain how destructive Predatory Equity and Predatory Banking Practices have been in our communities. We are writing to stress your responsibility in this crisis and to illustrate to you that we cannot confront this epidemic building by building or portfolio by portfolio. In the face of a growing epidemic, such solutions are inadequate. We are here today and are writing to you today to demonstrate the systematic nature of these epidemics and to ask that you support the passage of a Responsible Banking Act so that we can begin to create systematic responses.

***Predatory Equity***

Beginning in 2005, Predatory Equity companies, such as SG2, Milbank, Urban American, and others, bought hundreds of rent-regulated apartments in the Bronx, and hundreds of other apartments in other low-income areas throughout the city. These companies chose buildings based on what they deemed to be "underperforming portfolios." They were thought to be underperforming precisely because many apartments were occupied by long time tenants who were protected by regulated rents and rights. In order to get the high turnover rate necessary to maximize profit, they use an array of horrifying tactics to harass, intimidate and demean tenants into moving out. Once they could get these protected tenants out, the firms would exploit multiple loopholes in the rent regulation system to quickly raise rents, legally or illegally. These firms found allies in irresponsible banks that were eager to fund their predatory business deals with huge loans, overleveraging the buildings and endorsing the firms' plan to achieve high turnover rates, *making the system of harassment necessary*. These loans are directly responsible for this horrible epidemic that predatory equity has brought to low-income neighborhoods across the Bronx, gambling on the lives and stabilities of thousands of Bronx families and several Bronx neighborhoods. Conservative estimates put the number of apartments owned by Predatory Equity landlords across the city at 100,000. As expected, these buildings have begun, over the last year, to go into foreclosure.

We want to emphasize what an epidemic this system of predatory equity is and how it affects tenants' lives on a daily and intimate basis. For example, with the small sampling of SG2 owned buildings in the Bronx, the lives of thousands of Bronx families who live in these buildings have been destabilized, to varying degrees. It is relatively easy to quantify the suffering of tenants by evaluating the level of



**disrepair** of many of the SG2 buildings, by looking at the souring list of registered violations on city websites, or by assessing the dangerous financial state of these overleveraged buildings and drawing conclusions as to how this has led to **diminishing services** to the buildings; but this alone paints an inadequate picture of what these thousands of families have suffered at the hands of their predatory equity landlord.

Tenants who live in Predatory equity-owned buildings classically suffer through utility and service cut offs such as no cooking gas for up to 9 months, many have lost their section 8 vouchers because of bad conditions, many have lost countless days of work to go to court to defend themselves against repeat, baseless lawsuits, and many are victims of an increase in crime in their buildings as basic security services (like cameras, front door locks and intercom systems) have been eliminated.

The banks helped to fuel this business model by, like with the SG2 buildings, agreeing to buy some of the risky loans from their original lenders, despite the fact that the loans didn't comply with their underwriting standards.

Last year, after months of a focused campaign by tenants, affordable housing advocates and elected officials, Fannie Mae took significant steps in the right direction with 16 Ocelot buildings, by significantly lowering the mortgages to supportable rates and turning them over to OMNI New York, a reputable company that committed to maintain the buildings affordable and in good condition into the future. While the process was far from ideal, tenants, affordable housing advocates and the city praised Fannie Mae's action, and have been eager to work with Fannie Mae to refine and improve this process into a protocol that can be replicated, as more Predatory Equity deals default.

Until there are mechanisms prioritize the PEOPLE whose homes and livelihoods are at risk OVER the PROFIT the banks stand to lose by having had issued irresponsible loans, the effort to stop predatory equity will be piecemeal at best. Irresponsible loans need to be deleveraged so that responsible buyers who are committed to preserving affordable housing are able to purchase the buildings without the pressure to turnover apartments in order to make ends meet and make a profit. And after years of being harassed, tenants need to be involved in this process in order to truly testify to the reality of the systemic problems and to ensure they are not replicated. We of course understand that the New York City Development Committee does not have the power to deleverage loans or to solve this crisis of Predatory Equity, but the Committee can be part of the solution. The Responsible Banking Act is a good first step. We consider our presence here today as a positive marker in the way forward that will assure tenants' participation and in creating policy that can begin to curb banks' irresponsible practices. Without information about bank's practices in the hands of the public, we are significantly handicapped in our understanding of and our response to this growing epidemic. The Responsible Banking Act will certainly help to alleviate some of that handicap.

### ***Predatory Banking Practices***

Outside of Predatory Equity, there are corrosive banking practices that plague our communities. One such banking practice is when banks loan money to abusive landlords, fail to enforce their good repair clauses and refuse to meet with tenants or put pressure on the landlord to do repairs. One building that

exemplifies these bad practices is 1380 University Avenue; a 142- unit rent stabilized building in the southwest Bronx. In 2007, New York Community Bank (NYCB) lent \$25 million dollars to the building's owner, Martin Carlin, to continue to own the building despite a track record of negligence, harassment and bad management practices. That is almost \$180,000 of debt per unit!!

The income from 1380 University Ave can't support a loan like this. Unfortunately, tenants have not benefitted from this loan. Instead, Martin Carlin, who has buildings in foreclosure elsewhere, has actually DECREASED services. He took away the laundry room, the recreational room, nightly security guards and outdoor lights. As a result of the decrease in security services, combined with the habitually non working front door and intercom system, crime has significantly increased in the building and many tenants live in fear. In addition to security needs, the landlord has consistently denied tenants' of basic needs like heat and hot water; tenants regularly go without hot water on the weekends. Furthermore, after more than 60 tenants joined together to sue the landlord in court to get repairs, the building is still suffering from over 350 violations. These bad conditions disproportionately affect the more than 80 tenants who have section 8 vouchers and who stand to lose their vouchers or who already have lost them because the building is in such disrepair. To add insult to injury, the landlord is trying to make tenants move out so that he can increase rents for wealthier incoming tenants in order to support this unupportable loan.

NYCB gave a bad and unupportable loan to the building's landlord, which has led to bad physical and fiscal conditions in the building. However, when University Neighborhood Housing Project (UNHP) produced information about how New York Community Bank's banking practices compared with those of other banks and how it was rated one of the worst banks in New York, NYCB finally felt compelled to sit down and discuss the problem with tenant advocates and organizers. They then met with tenants in the building to gain a deeper understanding of the problems tenants deal with and the ways in which those issues affect their lives. They also went on a guided tour of the building to see the conditions first-hand. They have been putting pressure on the landlord to meet with tenants and this week, the bank will be present at a meeting with the landlord and tenant leaders to flesh out a timeline for repairs and the reinstatement of basic services. While no repairs have been done yet, this is a huge step forward—a step that was only made possible by the release of information about the bank's practices and the consequences these practices wield on the community. We hope this illustrates how important it is for the community, who bears the weight of banks' lending practices, to have access to information about these practices. However, it should not and cannot be the responsibility of non profits to research and publicize this information. It should be the government's responsibility. This is one of the reasons why we need a Responsible Banking Act. We believe that if the banks are required to publicly release information about their banking practices, they will hold themselves to a higher standard and the community will be able to hold them accountable to those standards. Certainly, *more* access to information cannot cause *less* accountability.

### **Conclusion**

In light of these growing epidemics, the havoc they reap on low-income communities throughout the city and the role the banks play in fueling these epidemics, the Responsible Banking Act is of the utmost necessity.

For more information or if you have any questions please call Susanna Blankley at CASA-New Settlement Apartments: 718-716-8000, ext. 135 or [s.blankley@newsettlement.org](mailto:s.blankley@newsettlement.org).

## **The Center for New York City Neighborhoods**

Testimony before the Finance and Community Development Committees  
of the New York City Council

March 7, 2011

Good morning Chairman Vann, Chairman Recchia, and members of the City Council Community Development and Finance Committees. My name is Christie Peale and I am here in my capacity as the Deputy Director at the Center for New York City Neighborhoods (CNYCN). On behalf of CNYCN and our Network Partner grantees, I thank you for this opportunity to testify in support of the proposed NYC Responsible Banking Act (Intro. 485).

As many of you well know, CNYCN is a non profit organization whose mission is to support free housing counseling and legal services to New York City residents at risk of losing their homes to foreclosure. Since we opened our doors in June of 2008, and thanks in no small part to the support of you and your colleagues on the Council, over 12,000 New Yorkers have accessed our services, with many of them calling 311 to get connected to providers in their neighborhoods. Of these homeowners, our network has submitted over 6,000 requests to banks or their servicers for loan modifications, and over 1,700 of those homeowners are now in trial or permanent modification. On average, homeowners who receive modifications are lowering their mortgage payments by \$1,000 a month – which makes a huge difference in their ability to meet their monthly obligations and maintain their homes.

Our Network Partners have worked tremendously hard to achieve these gains, and while we applaud their efforts, we know that the foreclosure crisis is not abating in New York City neighborhoods. There are 30,000 pending foreclosure actions in the 5 boroughs and many more New Yorkers stand to lose their homes if the benefits of true, sustainable loan workouts are not extended to more families. Banks can do more to help struggling homeowners and banks that do more should be rewarded for these efforts.

CNYCN supports the proposed NYC Responsible Banking Act (Int.485) because it will specifically rate banks and financial institutions on their loss mitigation and neighborhood stabilization activity on a census tract level.

We would like to recognize the fact that the proposed legislation examines not only how banks invest in communities but also their efforts to stabilize and sustain them. Within Section 2 (working with borrowers to restructure delinquent home mortgage loans), we would want to see data provided to the Commissioner of Finance that indicated the following:

- The length of time it takes a bank to process loss mitigation requests;
- How much monthly payments are reduced through modification;
- Amount of principal reduction;
- Frequency and amount of second lien write downs;
- Length of time in processing short sales and forgiveness of indebtedness
- Disposition of REO properties to mission-oriented developers
  - And the amount of discount offered to such buyers
- Provision of end-loans for buyers of REO homes and other affordable housing

While outside the bounds of this particular legislation, the City Council's efforts at rating bank performance would be greatly enhanced if Treasury and the OCC released local data on HAMP and modifications on a borough by borough basis.<sup>1</sup>

CNYCN will gladly report back to these committees regarding our ongoing work with banks and servicers, either as a part the hearing structure outlined in Intro 485 or otherwise. We have worked very hard to establish working relationships with the banks and servicers who serve the bulk of our clients, and we encourage them everyday to be more aggressive at finding ways to keep struggling homeowners in their homes. Those banks and financial institutions that do the challenging work of helping New Yorkers in distress are good corporate citizens and should be recognized as such.

Thank you again for the opportunity to speak to you about this legislation and our work on behalf of New Yorkers in mortgage distress. And thank you as always for your support and leadership on these challenging issues.

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<sup>1</sup> The Treasury Dept. reports HAMP data according to the NYC MSA, which includes New York-Northern New Jersey-Long Island, NY-NJ-PA: <http://tinyurl.com/67sxufu> .



**chhaya** CDC

Sustaining Homes  
Strengthening Communities

**Testimony to the New York City Council Hearing on  
the Responsible Banking Act**

Monday, March 7<sup>th</sup> 2011

*By Mr. Mohammed Rahman, a Bangladeshi homeowner*

Thank you for the opportunity to comment at this hearing. The Responsible Banking Act is of immense importance to low-income communities in New York City, as it will give us a tool to hold banks accountable for their destructive activities, while encouraging them to be more responsive to our concerns.

Chhaya CDC Background:

Chhaya CDC was founded in 2000 to address one of the most basic human needs: shelter. With its name meaning “shelter” in several South Asian languages, Chhaya is dedicated to achieving housing and economic justice for South Asian and other immigrants in New York City through direct services, education, advocacy, organizing, and research. Since 2008, Chhaya has been an integral component of New York City’s coordinated efforts to combat the foreclosure crisis. Over the past two years, Chhaya has provided over 250 Queens families of all ethnicities with foreclosure prevention counseling, educated nearly 500 at free workshops across the borough, and reached nearly 5,000 through our community outreach efforts. Chhaya CDC targets its services in the Queens neighborhoods of Jamaica, Richmond Hill, Jackson Heights and South Ozone Park- areas which are considered to be the epicenter of the foreclosure crisis in New York City. The latest figures from the property research website RealtyTrak indicate that nearly 12,000 properties are in pre-foreclosure, borough-wide. Chhaya’s own research has revealed the damaging impact on the South Asian community: *as many as 53 percent of the mortgage defaults in some of the hardest hit zip codes are South Asian borrowers*. Many of these families had loans which were unaffordable from the start, and unemployment and loss of income is further exacerbating the problem in these neighborhoods. Foreclosure prevention counseling is a challenging and time-consuming process, involving intake, document review, the investigation of available options, and negotiating with lenders. Chhaya CDC provides these services for free, in a culturally appropriate, multi-lingual context.

Although Chhaya can point to some recent successes on behalf of its clients—with over 50 receiving some sort of favorable loan modification over the past year, the process is still an extremely frustrating one for clients and counselors alike. Even nearly two years later, there is continued confusion surrounding the implementation of the Making Home Affordable (MHA) plan and a lack of transparency in the participating lenders' decisions on loan modifications. Most recently, we have noticed that borrowers have been completing trial modification agreements only to be later denied for a permanent modification. In this regard, we are experiencing lenders being inconsistent, and sometimes duplicitous, in regards to their handling of borrower applications.

#### Mohammed Rahman: A Bangladeshi Homeowner:

My name is Mohammed Rahman. I am an immigrant from Bangladesh. My family bought a house in 2005. I drive a taxi and since the economic downturn my business has gone down, while the cost of gas and leasing my car have gone up. It has been difficult for me to afford to pay my mortgage in this economy.

I have been trying to get my loan modified for over 18 months. Before we found Chhaya, I paid two thousand dollars to a company, who promised to modify our loan, but nothing happened.

Chase, our bank, has not been helpful. The loan modification process is extremely frustrating. I have lost count of the amount of times that we have submitted the documents that they require. My counselor at Chhaya has been constantly negotiating on my behalf, and yet we can't seem to get a straight answer from the bank.

I think something like the Responsible Banking Act would help me and my neighbors. Right now there is no way to hold these banks accountable for their actions. I just want to stay in my home and I expect the bank to tell me what to do to make that possible instead of playing games with me.

#### The Importance of the Responsible Banking Act:

Good banking practices have an immense impact on the community, and the absence of good practices creates the space for to unscrupulous elements to take advantage of immigrant communities. It's not surprising; therefore, that Chhaya's constituents from southeastern and northwestern Queens that first felt the impact of predatory lending are now feeling the impact of foreclosure rescue scams. In the meantime, the big banks and loan servicers do not seem to understand the scale of the problem, or are unwilling to actually address it. In addition to accelerating the response to the foreclosure crisis, the Responsible Banking Act will also enable low-income communities' better access to financial services, increased credit, and ensure banking practices that actually suit local communities and neighborhoods.

TESTIMONY FOR  
NEW YORK CITY COUNCIL HEARING ON  
THE NYC RESPONSIBLE BANKING ACT (Intro. 485)  
March 7, 2011

Good morning. My name is Wendy Takahisa and I am pleased to present this testimony on behalf of Richard Neiman, the Superintendent of Banks for the New York State Banking Department ("Banking Department"). I am the Director of the Banking Department's Community Reinvestment Act ("CRA") Unit, which is part of the Consumer Services Division.

**Banking Department Background**

Established in 1851, the New York State Banking Department is the oldest bank regulatory agency in the nation. In 2009, we regulated more than 2,700 entities providing financial services in New York State, including both depository and non-depository institutions. The total assets of the depository institutions supervised by the Banking Department exceed \$2.2 trillion.

New York is one of only seven jurisdictions in the country that has a state or local CRA statute (Banking Law §28-b) and implementing regulations (Part 76 of the General Regulations of the Banking Board). The law was enacted in 1978, one year after the federal statute, largely in response to concerns about the existence of redlining in poor and minority communities in the 1960's and 70's. More than 90 New York state-chartered banks are examined for compliance with the state statute. All of our banks are also examined for compliance with the federal CRA statute by a federal regulator, either the Federal Depository Insurance Corporation ("FDIC"), or the Federal Reserve Bank of New York (depending on whether the bank has opted to become a member of the Federal Reserve System). We attempt to conduct the CRA examinations concurrently with our federal counterparts to maximize consistency in examination processes and ratings.

**Holding Banks Accountable-Conserving City Resources**

The Banking Department supports the goals of the NYC Responsible Banking Act (Intro. 485). We agree that banks in New York City should be working to address the key credit and financial services needs of New York



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City, particularly the needs of low- and moderate-income people and neighborhoods and small businesses. We support the idea that when choosing among banks offering comparable services at a comparable cost, city agencies should, in a manner consistent with law and established guidelines, seek to deposit or invest funds at, and obtain services from, the available banks that have received the highest classification in meeting the needs of the communities in which they operate.

However, the Banking Department strongly urges the City Council to consider an alternative method to achieve this worthy objective. Specifically, we suggest that the Council authorize the Commissioner of Finance to use the CRA ratings imposed by the Banking Department and/or the federal regulators as a factor in determining whether to conduct business with a particular bank rather than require the creation of a new rating system. As proposed, the NYC Responsible Banking Act would largely duplicate the already required CRA reviews, resulting in a burden on scant NYC government resources without a commensurate public benefit.

All of the banks that would be affected by this legislation, provided they are insured by the federal government, are also subject to Community Reinvestment Act examinations either by federal regulators or by **both** federal regulators and the New York State Banking Department.

CRA examinations are designed to review and rate each bank's performance in meeting the needs of its communities. Different standards are used for small, intermediate small, large and wholesale banks to ensure that each bank is assessed within the performance context that corresponds to its size and business strategies. We note that, to be most effective, the Commissioner of Finance would need to develop a similar methodology to distinguish between the performance of banks of different sizes and business strategies. And, we can tell you from experience, that this is no easy task.

The proposed legislation sets forth seven factors that the Commissioner must consider in evaluating a bank's level of responsiveness in addressing

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the credit and financial needs of the City communities in which a bank conducts business. However, every one of these factors already is considered in a bank's CRA examination. For example, we review the number and dollar value of loans extended by a bank to low- and moderate-income individuals specifically, as well as, within low- and moderate-income communities. We review the investments made by a bank within low- and moderate-income communities, the grants provided to organizations working with the LMI population, and the community development activities undertaken by a bank to address the housing and economic problems of the LMI communities. Bank regulators review a bank's level of small business lending and unlike our federal counterparts, the Banking Department continues to review how each bank ascertained the credit needs of its communities.

CRA examinations are quite intensive. We look at performance over the span of several years, which gives us a clearer picture of whether community investment is trending upward or downward. At the largest banks, a CRA examination generally involves hundreds of staff hours. Even at the smallest banks, CRA examinations usually involve two weeks of on-site examination, in addition to time spent reviewing data off-site, both in preparation for the examination and in writing the evaluation.

In contrast, this amendment would ask the commissioner to judge a bank's performance based on a public hearing and a snapshot review of data already included in CRA evaluations. Reviewing and analyzing this material would require significant resources, at a time when city budgets are strained and would impose an additional regulatory burden on banks, particularly the smaller banks, unfairly placing them at a disadvantage.

Although this legislation proposes public hearings as the means by which public input on a bank's performance can be solicited, CRA exams already provide such an avenue. The Banking Department and other bank regulators routinely publish a list of upcoming CRA examinations and encourage the public to comment on bank performance. In fact, some of the groups that may present testimony today have used this process to submit comments to us. Banks are required to keep a file, which is made

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publicly available, of all written comments related to their CRA performance.

Moreover, community feedback is directly incorporated into the CRA evaluation process. A routine component of CRA examinations is meeting with community groups to solicit input both on community need and on a bank's performance. The results of all CRA examinations, both federal and state are public. CRA examinations are the only bank regulatory examinations where the results are public. These public evaluations include detailed information on a bank's lending, services and investments, and each bank receives a CRA rating on its performance. Thus, methods already exist for the public to participate in the evaluation of a bank's performance making the proposed public hearings duplicative.

In advocating for this expanded use of CRA, the Banking Department recognizes that CRA is an imperfect measuring tool and that reform is needed. To that end, the Banking Department is committed to working with the federal regulators to reform the federal CRA exams and to making commensurate changes in the state process. Rather than creating new tests for NYC banks, we urge the City Council to participate in efforts to reform and improve CRA.

Several of the reforms that the Banking Department has supported would better assist the City in classifying banks than the proposed legislation. For example, the Banking Department has advocated for:

- more nuanced ratings by adding more rating choices -- Currently, there are only four ratings available (Outstanding, Satisfactory, Needs to Improve, and Substantial Noncompliance). We have proposed that two additional ratings -- High Satisfactory and Low Satisfactory -- be added to better rank bank performance.
- modernizing the ways for the public to comment on a bank's CRA record and for the evaluations to be made available by allowing the submission and posting of public comments through bank regulator websites
- increasing the exam's emphasis on innovative and responsive investment programs to further encourage this activity

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- requiring all banks to be judged on their retail services, not just large banks
- at the federal level, re-instituting an evaluation of board and senior management involvement in CRA to ensure that community investment is taken seriously by the institution. The Banking Department already conducts these evaluations.
- changing the strategic plan option to encourage more banks to use this option, and
- broadening the scope of community needs reviewed by the exam to include the bank's provision, or support of outcomes-based financial education, affordable healthy food, energy-efficient buildings and other new needs that are identified in LMI communities.

**Strengthening Existing Programs-Preventing Unintended Burdens**

As should be clear from the above, the Banking Department strongly supports the goals of this legislation, even while disagreeing with the methods proposed to achieve those goals. We believe that the Council can be most effective in strengthening existing efforts that promote community investment and responsiveness to communities' financial needs. For example, like the State, New York City administers a Banking Development District (BDD) program. Both BDD programs are designed to encourage the establishment of bank branches in areas with a demonstrated need for banking services. The State's program is administered by the Banking Department, while the Banking Commission administers the City's program. We work closely with the Commission to identify ways to improve these programs and one area of concern is the need to cap the amount of deposits available for the program.

In case you are unfamiliar with the BDD program, let me explain that both programs promote the establishment of new bank branches that will provide affordable bank products and services in unbanked or underbanked areas by offering to deposit millions of dollars of subsidized and collateralized municipal funds in the new branch. From our discussions with the Banking Commission, it is likely that the amount of municipal funds available for these deposits may be capped, if they have not been capped already at \$250 million. Given that there are twenty-one

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NYC BDD branches receiving subsidized municipal deposits totaling \$200 million, the ability to establish new BDD branches under the City's program is in jeopardy. We strongly encourage the City Council to remedy this situation to ensure that the City's BDD program continues to thrive and provide communities with bank branches offering affordable bank products and services.

In addition, we urge the Council to consider the impact this proposed legislation may have on the City's BDD program. Institutions that wish to participate in the BDD program would be obligated to also apply under the Responsible Banking Act process. All of the data and information that a bank would be required to submit under this legislation would be a significant burden on smaller institutions. Yet, we are seeing a trend in that more and more it is the smaller banks that are interested in applying to the BDD program. Compliance with the reporting, data submissions and public hearings required by this legislation may discourage these institutions from applying to the BDD program, despite the fact that the BDD program advances the very same goals of community reinvestment that this legislation seeks to achieve. We note that in none of the other cities where similar legislation has been adopted, is there either a state CRA exam or a BDD program. It would be tragic if the vehicle you chose as a means of increasing community reinvestment actually resulted in a decrease of the same.

**Conclusion**

Today, the New York State Banking Department is here in support of the NYC Responsible Banking Act's laudable goal of encouraging banks to be more responsive to community needs by making their performance a factor in doing business with the City. We applaud the legislative intent – to encourage banks to lend more, invest more and provide more services in New York City. However, we believe this goal can be achieved by using the existing CRA ratings, allowing the City to increase accountability for banks without using additional government resources or increasing the regulatory burden on banks. On behalf of the New York State Banking Department and Superintendent Neiman, I thank you again for this opportunity to present these comments on Intro 485.

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NEW YORK CITY COUNCIL HEARING ON RESOLUTION 247 (CRA)  
June 8, 2010

I welcome any questions.

Thank you.



**Testimony of LISC NYC**  
**On Intro 485 – Responsible Banking Act**  
**NYC Council Committees on Community Development and Finance**  
**Mon, March 7<sup>th</sup>, 2011**

My name is Sarah Hovde and I am the Director of Research and Policy for the NYC Program of the Local Initiatives Support Corporation (LISC). LISC is a national community development intermediary organization that helps community-based groups to transform distressed communities and neighborhoods into healthy ones by providing capital, technical expertise, training and information. In NYC, LISC has provided over \$160 million in loans and grants and over \$1.7 billion in equity to more than 75 community development corporations (CDCs), resulting in the development close to 30,000 units of affordable housing in Harlem, the South Bronx, and Brooklyn.

LISC NYC supports Intro 485 as a reasonable and measured effort to shine a more public light on how banks are meeting – or not meeting – NYC’s credit and financial services needs; our hope is that, as a result, the needs of lower-income and sometimes-marginalized communities will be better served. The bill would require the commissioner of finance to establish criteria by which to evaluate the responsiveness of the credit and financial services of banks that have been determined eligible to receive City of New York deposits. While the bill provides some guidelines regarding factors that should be considered in developing such criteria, responsibility for creating the criteria, and for rating banks based on the criteria, is left to the discretion of the commissioner, following a public hearing process to gather input and recommendations. Importantly, the bill does not require banks to gather any new data which they do not already gather in order to meet federal requirements such as the Home Mortgage Disclosure Act and Community Reinvestment Act. And while the bill allows the City to take responsiveness ratings into account when making decisions about how to deposit or invest municipal funds, it does not require the City to make particular investment or reinvestment decisions.

We believe that the regulatory and reporting system proposed by Intro 485 can play an important role in filling information gaps that currently exist about banks’ lending and services practices. This is especially important now, as NYC’s low- and moderate-income neighborhoods continue to be severely impacted by the after-effects of the bursting real estate bubble, and the recession that followed. Home foreclosure rates remain high in a number of neighborhoods. Irresponsible

over-leveraging of multifamily rental housing has left many buildings in a state of – or at risk of – physical deterioration, endangering the safety and welfare of tenants, blocks, and neighborhoods. And mortgage financing is still much harder to obtain than it should be for would-be low- and moderate-income home buyers seeking to take advantage of affordable purchase opportunities. In order to remedy and address barriers to needed credit and financial services, it is important to be able to readily identify those gaps and barriers in the system; and we believe that Intro 485 is a positive step towards this goal.

Thank you for the opportunity to testify today.





ANHD INC is a 501(c)(4) not-for-profit social welfare organization which advocates on behalf of New York City community-based, non-profit housing organizations and the neighborhoods they serve.

TESTIMONY OF BENJAMIN DULCHIN, EXECUTIVE DIRECTOR, BEFORE  
NEW YORK CITY COUNCIL COMMUNITY DEVELOPMENT AND FINANCE COMMITTEES  
SUPPORTING THE SWIFT PASSAGE OF THE RESPONSIBLE BANKING ACT (INTRO. 485)

March 7, 2011

Good Morning. My name is Benjamin Dulchin and I am the Executive Director of the Association for Neighborhood and Housing Development in New York City. Thank you Chairman Vann and Chairman Recchia for your leadership to ensure city depository institutions are held accountable for meeting the credit needs of our communities. Intro. 485, *The Responsible Banking Act*, is historic legislation that will for the first time give New York City an important oversight tool as well as expand on a national model that has proven effective at encouraging more responsible lending, investment and services.

As you know, ANHD INC. is a not-for-profit social welfare organization which advocates on behalf of 97 New York City neighborhood-based housing groups - CDCs, affordable homeownership groups, supportive housing providers and community organizers. ANHD INC. advocates for comprehensive, progressive housing policies and programs to support affordable, flourishing neighborhoods for all New Yorkers, especially our lower income residents.

**The Responsible Banking Act: A Cost Effective Mechanism for Holding Banks Accountable**

Let me begin by responding to some of the arguments that Intro. 485 would place an administrative burden on both the city's banks as well as the Department of Finance. Banks already produce information related to their lending, investment, and services for internal purposes and as part of their submission to federal and state regulators for their regular Performance Evaluations. Banks have extremely sophisticated information technology systems that allow them to gather and present data with minimal effort. Indeed, most of the banks that would be covered by Intro. 485 are currently providing much of this data to ANHD in response to our annual data requests.

Thus, at the very most, this legislation would only require that banks provide the data at a different geographic level (i.e., citywide vs. metropolitan statistical area). This marginal increase in effort on behalf of the banks would have immeasurable benefits for our city's elected officials, policymakers, advocates and residents in determining which institutions are most responsive to meeting our credit needs.

I would also like to respond to the argument put forth by the banking industry that they can either divert resources to develop a strategic plan, as Intro. 485 would require, or direct these dollars to actual lending and investment. This is somewhat of a false choice. Indeed, banks

already have internal strategic plans for their primary assessment areas. At the most, it would require banks to re-work these for public consumption. Our sense is that the real reason banks resist this provision is they don't want to be held accountable.

We are happy that the Department of Finance is taking this legislative proposal seriously; however, we believe their estimate of the resources it would take to administer the *Responsible Banking Act* is overstated. While we do not know the value of the contract, the City of Philadelphia has outsourced the data collection, analysis and report writing related to its RBA to a consulting firm called EConsult Corp. It takes EConsult 4 months to complete all phases of the project and only 7 staff, none of whom work on the project on a FTE basis. The NYC RBA would likely cover 3X as many banks and examine additional data, but a similar outsourcing approach could be utilized at a very modest cost to the city. Additionally, the city could charge the banks a modest fee as part of the biannual "Designation" process administered by the Banking Commission to offset any additional expenses to the city.

Finally, I would like to respond to Assistant Commissioner Kloss's testimony regarding the steps the Banking Commission is taking to enhance the reporting requirements related to the designation process. We applaud DOF and the Commission for recognizing the designation process presents a key opportunity for assessing the banks' track record of meeting local credit needs. Simply requiring more information is insufficient, however.

An equally important component of Intro. 485 concerns the role of the City Council and the larger community in assessing bank performance. While accurate, local-level data is essential, we also need a formal process for inviting community input. Currently, there are few practical opportunities for the community to engage with federal and state regulators. The structure proposed in Intro. 485 would correct this and allow local residents and advocates to communicate to local executive agencies and the City Council their experiences obtaining financial services and access to affordable credit.

#### **The Responsible Banking Act: More Important than Ever**

As I mentioned earlier, ANHD has been collecting and analyzing reinvestment-related data for the past several years. We are currently examining 2009 data, which is the most recently available information for most of these indicators. Based on our preliminary analysis, the disturbing trends that we documented in our 2009 *State of Bank Reinvestment* report of banks making fewer multi-family and community development loans have continued.

For example, Bank of America reduced the number and dollar value of multi-family loans it originated in New York City by over 35% between 2008 and 2009. Citibank, which originated \$237.8 million in multi-family loans in 2007, made only \$28.2 million of these loans in 2009—a decrease of over 88%. There are similar sharp declines in community development lending—loans that help build affordable housing and fuel economic development. JPMorgan Chase reduced its CD lending by over 21%, from \$768 million to \$605 million over this period. Bank of America authorized even deeper cuts to their CD lending. In 2008, BofA originated \$264.5 million in CD loans compared to only \$67.6 in 2009—a reduction of over 74%.

Currently, the city has no remedy to respond when banks abandon our communities and their customers. New York City needs to recognize that it is one of the bank's most important customers and has the power to demand more responsible behavior. Passage of Intro. 485 will allow the city to do just this.

### **The Importance of Bank Reinvestment in New York City**

Spurred by the CRA, banks have played a critical role in helping build wealth for households and revitalizing many neighborhoods across New York City through their support of community development efforts and providing access to capital. For example, over 294,000 units of low- and moderate-income housing have been developed and renovated in New York City with a mix of public subsidy and private financing over the past twenty years. Additionally, billions of dollars in CRA-motivated loans, investment, and grants have been central to transforming entire blocks and neighborhoods across the five boroughs, catalyzing the growth of small businesses and assisting residents build assets.

However, the changing nature of the banking industry has led to retrenchment in both the quantity and quality of community development support, placing these vital resources at risk and leading to a situation where banks are less focused on helping to meet the credit needs of underserved populations and areas. For example, the city's Department of Consumer Affairs estimates that over 825,000 New Yorkers do not have bank accounts. In a city that is home to the world's largest banks, this fact is inexcusable.

As you may know, ANHD recently released our first, "State of Bank Reinvestment in New York City" report, which is based on data we received from 18 of New York City's largest banks and presents empirical evidence of this retrenchment between 2007 and 2008. This report is the only comprehensive assessment of what banks are doing to meet the credit needs of our city. That being said, there is still a lot we do not know, especially at the neighborhood level. ANHD believes that the city's Banking Commission has the potential to be a valuable tool for local advocates and elected officials to better understand how banks are serving our communities and reversing these distressing trends.

### **Assessing Banks' Commitment to Our Communities**

Although banks are required by federal statute to report data related to their mortgage and small business lending, this data does not capture the full range of activities that are a part of bank's reinvestment portfolio, especially for cities like New York which is dominated by multi-family rental buildings. For example, there is currently no publicly available data related to how much a local bank invests in the new construction or preservation of affordable housing or which lenders have provided financing to predatory equity-backed landlords and developers of stalled luxury properties.

Therefore, beginning in the spring of 2008, ANHD began submitting detailed information requests to 20 of New York City's largest banks. ANHD has been encouraged by the willingness of most of the city's banks to provide the requested data. Of the 20 banks we have submitted information requests to, 90 percent (18 banks) have returned at least partial responses. ANHD believes this strong response rate reflects the banks' recognition that public input is a vital component of their ability to identify credit needs and opportunities. That being said, it is an incredibly time consuming process for us and often requires repeated requests, follow-up calls and letters, and incomplete data for even those banks that do comply. If we did not have to spend so much time acquiring data, we could shift our efforts to more in depth analysis of the banks' activities, assessing how neighborhoods are being served, and more regularly weighing in on performance evaluations and/ or submitting comment letters to the federal bank regulators about the track record of individual institutions.

For the non-responsive banks, ANHD makes every attempt to acquire information by searching the bank's annual reports and their most recent federal and state performance evaluations. However, the information found through these methods is imprecise for our purposes because

data is either presented for different time periods and geographic areas or not disclosed at all.<sup>1</sup> And not surprisingly, the data that we were able to obtain for the non-responding institutions show that they are among the city's lowest performers, which may explain why they were reluctant to respond.

Thus, one of ANHD's key policy priorities is to expand data disclosure requirements and mandate banks to report important information related to their lending, investment and services on an annual basis. This data would not only help establish citywide trends, but would also provide a snapshot on which neighborhoods are well served by banks and which ones continue to lack access to credit and private investment.

Interestingly, the city's Banking Commission did require such reports at one time. Beginning in 1989, banks were required to complete a "Community Service Questionnaire," which was designed by the Department of Finance. The questionnaires solicited information for banks' lending and provision of basic banking services to low- and moderate-income persons, small business and affordable housing lending, participation in City housing and economic development programs, philanthropic giving, branch networks, and other programs or activities which provide services to poor residents and low-income communities. The information was used to give each bank a community service rating, which in turn was used by City agencies, in addition to several other factors, in selecting bank service providers. Banks that did not submit a questionnaire were ineligible for designation and could not compete for business unless they were the provider of a service not reasonably obtainable elsewhere. In the mid-1990s, the practice of requiring these questionnaires was discontinued as the Banking Commission did not have the capacity to assess the information provided.

### **A New System**

Several cities across the country including Chicago, Cleveland and Philadelphia have passed local ordinances that require banks that wish to provide depository services or do other business with the city to submit annual reports, which detail information about residential loans, commercial loans, and access to financial services like checking and savings accounts. All three cities ask that information be broken down by census tract, and where possible, by race and income. Cleveland and Philadelphia also require banks to file strategic plans for how they intend to help meet community credit needs on an annual basis.

These requirements have proven effective at encouraging banks to be more responsive partners. In Philadelphia, banks providing depository services make a greater share of home loans and locate a greater portion of their branches in working class neighborhoods than all lenders. In November 2009, the city also pulled its deposits out of Advance Bank, Sovereign Bank and Mellon Bank for failing to submit plans. Mellon Bank also lost its contract to provide the city's pension banking services, which shows that there are real economic consequences for not complying with the requirement.

And legislation currently moving its way through the Los Angeles City Council would go even farther. As the ordinance is currently written, the city will give each bank a report card and the institution's grade will be a factor in determining which banks get city business. It also requires the city Treasurer to increase business with top performing banks and withdraw business from the worst performers.

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<sup>1</sup> For example, data included in this analysis for New York Community Bank was compiled from their most recent state performance exam, which covered the period of 2005 and 2006, and some data for Signature Bank covers geographic areas outside of New York City.

In each city, the reports are made available to members of the City Council and mayoral agencies. Should a similar requirement be adopted here, ANHD believes the plans should detail the bank's reinvestment strategy, including community context analysis and quantitative and qualitative goals, to meet the lending, investment, and service needs of low- and moderate-income borrowers and communities. It is essential that the plans are substantive and strategic; the plans should explain the products and programs the bank has developed to respond to local needs and opportunities.

Plans should be developed with input from advocates, neighborhood-based housing groups, elected officials, and mayoral agencies. ANHD believes these plans could be incredibly helpful to several agencies including the Department of Housing Preservation and Development, the Housing Development Corporation, the Department of Consumer Affairs, and the Department of Small Business Services, all of which depend on bank partners to meet their ambitious goals.

On an annual basis, banks also should release progress reports that document how their activities have been targeted to meet the goals outlined in these plans. The plan and accompanying annual reports should be submitted to the city's Banking Commission or some other entity for review and assessment.

ANHD believes that a Responsible Banking Act will strengthen the enforcement underpinnings of the federal CRA by creating more leverage for community engagement and incentivizing banks to concentrate their resources in a way that responds to our communities' core credit needs. The CRA was designed, from its inception, to involve the local community in a dialogue with banks as part of the CRA exam process and during mergers and acquisitions. This important aspect of CRA enforcement has been weakened by industry consolidation which has resulted in institutions so large that the local community is unable to understand or obtain information about a bank's local activities. Requiring a publically available, local plan would invite informed community input and dialogue with the banks, even as consolidation continues.

### **Conclusion**

As noted above, as banks have become larger national and global institutions, they have grown increasingly distant from the local community. Given their role in exacerbating the housing bubble and de-stabilizing the economy and our communities, financial institutions should play a leadership role in the nation's and New York City's recovery. Regrettably, the majority of banks have not been creative or proactive in the development of strategies for stabilizing working class households and neighborhoods during this period of economic turmoil.

The ongoing ability of working class residents to build wealth and the continued vitality of New York City's neighborhoods are dependent on banks affirming their commitment to providing a meaningful amount of loans, investment, and services that are responsive to local needs. To ensure this commitment is continued going forward, additional local tools are crucial. ANHD thanks you for your attention to this issue and looks forward to future conversations.

Thank you for your attention to this important matter. I would be happy to answer any questions.

Legal  
Support  
Unit

Legal  
Services NYC

**TESTIMONY OF THE LEGAL SERVICES NYC LEGAL SUPPORT UNIT  
IN SUPPORT OF THE RESPONSIBLE BANKING ACT**

**New York City Council  
Committee on Finance · Committee on Community Development**

**March 7, 2010**

Legal Services NYC welcomes the opportunity to give testimony before the New York City Committees on Finance and on Community Development. We urge the City Council to pass the Responsible Banking Act, Intro. No. 485, which will promote lending practices that support rather than undermine the economic and social health of our communities.

Legal Services NYC is one of the largest law firms for low income people in New York City. With 18 community-based offices and numerous outreach sites located throughout each of the city's five boroughs, Legal Services NYC mission is to provide expert legal assistance that improves the lives and communities of low income New Yorkers. Legal Services NYC annually provides legal assistance to thousands of low income clients throughout New York City. Historically, Legal Services NYC's priority areas have included housing, government benefits and family law; in recent years, Legal Services NYC has vastly expanded services in areas of need critical to our client base, including consumer issues and foreclosure prevention, unemployment, language access, disability, education, immigration, and bankruptcy.

**Legal Support Unit**  
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Raun J. Rasmussen, Chief of Litigation & Advocacy

One egregious example is the Milbank portfolio in the Bronx, where over 500 tenants were subjected to inhuman living conditions as the predatory owners walked away from their irresponsible investment. During the lengthy foreclosure process, the lender that made possible the speculative transaction sought to escape any responsibility for the catastrophe resulting from its irresponsible lending, and resisted the City's attempts to implement a transfer to a purchaser who would preserve the buildings and prevent the further displacement of long term tenants. Although a positive outcome at Milbank now seems within reach, Intro 485 would give lenders an incentive to better cooperate with the City and achieve speedier resolution of the many new multifamily foreclosures that are unfortunately now on the horizon.

Although some may object that Intro 485 will impose undue costs on City government, such objections are short sighted. Any costs associated with the charter amendments will be far less than the future cost of permitting irresponsible lending practices to continue. If proper oversight measures had been implemented a decade ago at every level of government, we might not now be facing the catastrophic costs of the national mortgage crisis. We simply cannot afford to make the same mistake again.

We thank the City Council for addressing this important issue, and urge it to enact Intro 485.

Respectfully submitted,



Edward Josephson, Esq.  
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Good morning. My name is Felipe Idrovo. I'm a member of the community organization Make the Road New York.

As a television producer in my country, I came to the United States with the necessary experience and the expectation that I would be able to update my technical and technological skills. I worked for several years at a public television station in Queens. At the beginning of 2009, I decided to get a business certificate to open my own audio visual business in the production of high quality videos called "Rock Capital." Washington Mutual had created a free checking service to provide additional tools for its customers and to support people who wanted to pursue their dreams of starting a small business. After applying for a loan, I began to generate income. I was able to rent a space and create jobs for other people.

As a result of the economic crisis caused by Wall Street, there was a domino effect of bank failures. Soon thereafter, a bank with more capital, Chase Manhattan Bank, began to absorb smaller banks, like Washington Mutual. Without me even being aware of it, I was no longer a customer at Washington Mutual and I became a customer of Chase, which immediately ended the program of small business development. The interest rates went up and they put an end to a program that was having positive results. It was benefiting me personally, so I know it was possible. I had the opportunity to create my own business but it died because of the arbitrary decisions of financial entities which have the power to make and unmake the future of economic development in our communities.

Cases like mine are all too common. Many people who have tried to get ahead by opening a small business have experienced something similar, because of the lack of financial services in our communities.

The problem is not that banks would lose money; the problem is that they don't want to earn less. Some banks only see numbers instead of seeing people. But the government's stimulus package is supposed to benefit people. As a worker and a member of a community organization with more than 8,000 members in Queens, Brooklyn and Staten Island, who suffer from the lack of financial services in our communities, I demand more responsibility from the banks. The banks should invest in our communities and the City should create mechanisms to make sure that banking activity in our neighborhoods is for the well-being of everybody, not just for a few.

Thank you  
Felipe Idrovo

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Buenos días. Mi nombre es Felipe Idrovo. Soy miembro de la organización comunitaria Se Hace Camino Nueva York.

Como productor de televisión en mi país, llegué con todas las experiencias necesarias a los Estados Unidos y con las expectativas de actualizarme técnica y tecnológicamente. Por varios años trabajé en la televisión pública de Queens. A comienzos del 2009, decidí abrir mi certificado de negocios para empezar mi propia promotora audio visual en la producción de videos de calidad llamada "Capital de Rock". El banco Washington Mutual creó un servicio de cuentas de cheques gratuitos permitiendo que los clientes tengan una herramienta más y apoyando a personas que tienen iniciativas de realizar sus sueños de tener su propia empresa. Luego de solicitar el préstamo, empecé a generar ingresos y pude rentar un espacio y generar empleo para más personas.

A raíz de la crisis bancaria fomentada por Wall Street, empieza el efecto domino de la caída de los bancos. Seguidamente, un banco con capital mayor, el Chase Manhattan Bank, empieza a absorber a bancos con menos activos como es el Washington Mutual. Sin mi conocimiento, dejé de ser cliente de Washington Mutual y pasé a ser cliente de Chase, que inmediatamente detuvo el programa de desarrollo de pequeñas empresas. El interés subió y se anuló el programa que sí estaba dando resultados. Me estaba beneficiando a mí y que sí era posible. Tuve una gran oportunidad de crear mi propia empresa pero murió por las arbitrariedades financieras de entidades que tienen el poder de hacer y deshacer el futuro del desarrollo económico en nuestras comunidades.

Casos como el que yo he vivido, lo han vivido muchas personas que han tratado de salir adelante abriendo una pequeña empresa, debido a la falta de apoyo financiero para nuestras comunidades.

El problema no es que los bancos pierdan, sino que no quieren ganar menos. Algunos bancos solo ven números y no ven personas, pero el estímulo del gobierno es para las personas. Como trabajador y miembro de una organización comunitaria de más de 8.000 miembros en Queens, Brooklyn y Staten Island que experimentan la falta de apoyo financiero, exijo más responsabilidad de parte de los bancos. Los bancos deben reinvertir en nuestras comunidades. La Ciudad debe crear mecanismos para asegurar que la actividad bancaria en nuestras comunidades sea para el bien de todos y no solo para unos pocos.

Gracias  
Felipe Idrovo

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**NCRC Testimony on the Responsible Banking Act**  
**Josh Silver, Vice President of Research and Policy**  
**March 7<sup>th</sup> 2011**  
**New York City Council**

The National Community Reinvestment Coalition (NCRC) strongly supports your proposed bill, the Responsible Banking Act of 2011 (Intro. 485) and sponsored by Council members Vann, Recchia, Mark-Viverito, and Lander. As Vice President of Research and Policy, I am honored to be here today expressing the views of NCRC.

NCRC is an association of more than 600 community-based organizations that promotes access to basic banking services, including credit and savings, to create and sustain affordable housing, job development, and vibrant communities for America's working families. As such our member organizations have witnessed first-hand the economic and social devastation wrought by reckless and unregulated lending during this foreclosure crisis. Federal and local laws that require responsible lending and reinvestment are critical to rebuilding our nation's communities.

Without lending and investment of financial institutions, neighborhoods will not be able to thrive economically. Public sector programs can "prime the pump" and spark investment, but by themselves they do not have the resources to successfully revitalize neighborhoods. With this in mind, your bill to increase responsible lending and investing in communities is vitally important.

Your bill, if replicated in many cities and counties across the country, will help us democratize capitalism so that it responds to community needs, as articulated by the communities themselves. Your bill will help ensure that homeowners and small business owners that are working hard and playing by the rules can receive responsible loans. It is a sound principle embedded in your bill that in return for receiving municipal deposits (which represents the wealth of the community), banks have an obligation to directly serve all city residents in a safe and sound manner.

The federal Community Reinvestment Act (CRA) has leveraged tremendous amounts of safe and sound loans and investments but it has not yet realized its full potential. For example, in New York City during 2009, CRA-covered banks issued about \$629 million in prime home loans to low- and moderate-income borrowers, \$889 million in multifamily loans in low- and moderate-income census tracts, and made \$886 million in loans to small businesses in low- and moderate-income tracts.

Despite these positive trends, significant disparities in lending and access to bank branches remain. NCRC found that height of subprime lending during 2006 in New York City, African-Americans were 2.2 times more likely to receive high-cost loans than whites. Hispanics were 1.75 times more likely to receive high-cost loans than whites. Another significant disparity relates to access in bank branch services. In the New York

area, NCRC found that low- and moderate-income neighborhoods had one branch for every 9,571 people but that middle- and upper-income neighborhoods had one branch for every 4,494 people.<sup>1</sup> In addition, our member organization the Association of Neighborhood and Housing Development (ANHD) has produced excellent reports documenting the significant decrease in community development lending in New York City over the last few years. In their 2009 State of Bank Reinvestment in New York City, ANHD reports that the 17 largest banks decreased their community development lending by \$560 million or 20.2 percent and their multifamily lending by \$1.3 billion or 24.2 percent from 2007 to 2008.

By strengthening the application of CRA in New York City, your bill promises to narrow persistent and stubborn disparities in access to credit, investments, and basic banking services.

Local ordinances are needed to overcome certain shortcomings in the federal CRA. For example, a current weakness of the federal CRA is that geographical areas on CRA exams correspond to areas in which banks have branches. Many banks now lend in geographical areas outside of their branch network. These geographical areas are usually not scrutinized by CRA exams. However, if there is a large lender that wants business from New York City and whose CRA exam does not cover New York City, your law will now carefully examine that bank and ensure that it is committed to reinvesting in neighborhoods.

Even when CRA exams cover lending in New York City, the exam may not be effective in holding a lender accountable. In particular, large banks often have several states and cities on their CRA exams, meaning that poor performance in New York City could be compensated by good performance elsewhere. Your proposed ordinance would help end this dynamic since large lenders would be motivated to improve their CRA performance in an effort to secure City deposits. Moreover, your bill ingeniously uses the spur of competition to entice banks to improve their CRA performance. The banks' CRA performance is classified and compared against each other as a means of deciding which banks receive municipal deposits.

The role of the general public is recognized and elevated in your bill. The comments received during public hearings will be weighed when the Commissioner of Finance classifies a bank's reinvestment performance. The formal consideration of public input is an important mechanism for holding banks accountable and for insuring the rigor of the classification system. Community organizations will have keen insights into the affordability and sustainability of banks' lending and investment activities in neighborhoods and whether banks are financing reputable landlords. Your bill

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<sup>1</sup> NCRC, *Are Banks on the Map: An Analysis of Bank Branch Location in Working Class and Minority Neighborhoods*, 2007, [http://www.ncrc.org/images/stories/mediaCenter\\_reports/ncrc%20bank%20branch%20study.pdf](http://www.ncrc.org/images/stories/mediaCenter_reports/ncrc%20bank%20branch%20study.pdf)



appropriately recognizes the expertise of community organizations and applies that expertise for the classification process.

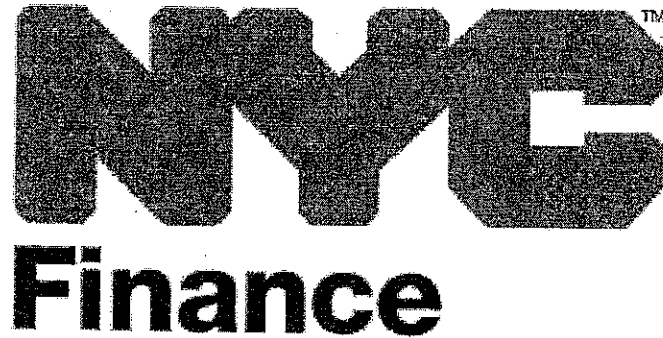
Your bill would also examine bank performance that is not regularly scrutinized by federal CRA exams. For example, while federal CRA exams provide consideration for modifications of distressed loans, this examination is not regular or comprehensive. In contrast, your bill would require banks to regularly document their efforts to modify delinquent loans, enabling the City to systematically examine the extent to which the banks are offering sustainable modifications. In addition, your bill focuses on the issue of financing abusive landlords by requiring banks to document how they are addressing the conditions of buildings they finance. This is a critical issue for the City that is not adequately addressed by the federal CRA.

The strategic plan process is an important accountability mechanism, allowing the City and community organizations to judge the adequacy of banks' reinvestment activities. By developing comprehensive plans to address neighborhood needs, these strategic plans promise to provide a higher level of financing that is responsive to unique community needs than federal CRA exams on their own can leverage. As stated above, federal CRA exams must often examine several geographical areas, meaning that these exams cannot pay as much attention to borough or neighborhood needs as the strategic plans can.

Your bill asks banks to take the business of community reinvestment seriously, and this is absolutely reasonable considering the millions of dollars of business your City provides to banks. While the community reinvestment requirements in your bill are rigorous, they are not burdensome. Banks can rely on data required by the federal government to fulfill these reporting requirements. And banks have developed their own internal planning documents and processes over the years of how they will best serve communities. Just as with the federal CRA, your bill's benefits will exponentially outweigh the costs.

NCRC believes that your bill has the potential to significantly increase access to responsible credit and capital for New York's working class and minority neighborhoods. NCRC will be working with stakeholders in other cities to promote your approach as well as the responsible banking ordinances of Philadelphia and Cleveland. In addition, NCRC hopes that you will join us in promoting federal legislation like H.R. 6334, the American Community Investment Reform Act of 2010 introduced last year in the 110<sup>th</sup> Congress, which would strengthen the federal CRA by bolstering enforcement mechanisms and broadening CRA coverage to include a variety of non-bank financial institutions including mortgage companies, hedge funds, and investment banks.

On behalf of NCRC's 600 community organization members working to increase access to responsible loans and investments for underserved communities, I thank you for your important initiative. We look forward to further collaboration.



**Testimony of Assistant Commissioner and Treasurer  
Elaine A. Kloss  
New York City Department of Finance  
Before the New York City Council  
Committees on Finance and Community Development**

**On Intro 485, regarding the classification of depository  
banks**

**March 7, 2011**

Good morning Chairmen Recchia and Vann and members of the City Council Finance and Community Development Committees. I am Elaine A. Kloss, Assistant Commissioner for the Department of Finance and the Treasurer of the City of New York. Today I am testifying on behalf of Finance Commissioner David M. Frankel about Intro 485, sponsored by Chairs Vann and Recchia and other Council members, which governs the New York City Department of Finance. Thank you for inviting me to speak before you today.

Last November I testified before this Committee at an oversight hearing about the Banking Commission's process for designating the City's depository banks. Today I am appearing before you to explain the Administration's opposition to Intro 485, which would require the creation of a new classification system for those banks. While the bill has very good intentions, we must object to it because the Department of Finance, like any City Agency, may only make its procurement decisions objectively and based on very specific product and service requirements.

Moreover, we are concerned that the bill may lead to confusion among consumers and businesses who may believe that the Department of Finance is regulating banks and assessing their performance when, in fact, banks are regulated by federal and state authorities with respect to the matters covered by the criteria found in Intro. 485. Before I move to the specifics of the bill, I would like to briefly recap the Department of Finance and the Banking Commission's roles and responsibilities associated with

selecting and monitoring banks that perform services for the City of New York.

Pursuant to the City Charter, the Department of Finance is charged with the power and duty to "provide for the reception and safekeeping of all moneys paid into the treasury of the City and for the payment of all moneys" drawn and countersigned by the City Comptroller. Pursuant to this framework, the Department of Finance, in conjunction with the Banking Commission and the City Comptroller, manages the City's cash flows.

The Banking Commission has three members: one representative of the Mayor; one representative of the Commissioner of the Department of Finance; and one representative of the City Comptroller. Three Finance staff members currently support the Banking Commission on a part-time basis.

The Banking Commission has three primary responsibilities. First, each year the Banking Commission recommends interest rates to the City Council for late payments of property taxes and water and sewer rents, as well as discount rates for early payments of property taxes. Second, the Banking Commission reviews and approves or denies applications it receives from banks or trust companies to be New York City Designated Banks. Finally, the Banking Commission participates in the New York State Banking Development District (BDD) Program and approves deposits of City funds in BDD branches.

The proposed bill, Intro 485, would expand the mandated responsibilities of the Department of Finance and the Banking Commission. It would require the Department of Finance to evaluate whether banks are meaningfully addressing the credit and financial needs of communities throughout the City where banks do business and to classify them on this basis. The Department of Finance would also be required to request that banks provide significant amounts of information for purposes of this evaluation. If a bank failed to respond appropriately, it could be assigned a low classification. Finally, the bill provides that the Department of Finance and other City Agencies may take such classifications into account when making bank product and services procurement decisions.

The City has three primary concerns with this bill. The first relates to the provision that the Department of Finance and other City Agencies may take the classifications into account when procuring bank-related services. When the City procures a bank service, just as when it procures any service, its goal is to purchase the best service at the best price, which is good for both the City and for taxpayers. To do this, it procures services through an objective method. We believe that this is the right approach. When procuring banking services, the City focuses, and should continue to focus, solely on the financial safety and soundness of each bank, its banking capabilities and its pricing.

The City carefully selects its operating banks based on product offerings, customer service and pricing. In general government payment processing requirements are so complicated and unique that only a limited number of banks are capable of fulfilling the City's needs. If a particular bank were to



lose its ability to serve the City's banking needs and that bank's capabilities were unique, the City's cash management activities could be seriously harmed. It would be particularly troubling if a City bank, one that is very important to the City's cash management, needed to be replaced due to a failure to satisfy elements of the proposed bill. The procurement process is very lengthy and the time required to transfer to another bank can also be very long and resource-intensive.

Similarly, when designating banks, the Banking Commission must review and monitor the financial soundness and stability of the banks to ensure that the City's money is safe in the banks and that the banks will continue to provide their procured bank services to City Agencies.

Second, as you all know, the banking industry is already very heavily regulated by the federal and state governments. Indeed, the federal government has already passed a law that requires rating banks' community reinvestment activities. The requirements of this law are similar to what the Council seeks to do in Intro 485. Our concern is that this bill, if passed, might confuse, rather than help, because it is not clear how these classifications would coordinate with federal and state regulations.

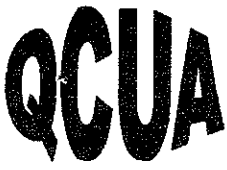
Finally, if the Department of Finance were to issue bank classifications, it would give the public and businesses the impression that the City of New York oversees and regulates banks. It does not. People could misinterpret a bank classification to mean that one bank has a stronger financial condition than another. In reality, however, there are many other government agencies, like the U.S. Office of the Comptroller of the

Currency, the FDIC, the Board of Governors of the Federal Reserve System and the New York State Banking Department, that have the authority to regulate these banks and their activities. It is preferable that people seek guidance from these regulatory agencies for evaluation of bank financial stability and performance.

In addition, the Corporation Counsel's office has legal concerns about the bill. In general, local governments are restricted when they try to regulate national and state-chartered banks' core banking activities, such as the extension of consumer mortgage credit and refinancing. State law also limits our authority to consider policy matters when making purchasing decisions.

In closing, and as I mentioned last November, the Treasury Division of the Department of Finance is a relatively small group and its support of the Banking Commission is only one of its many duties. Without new funding and additional resources we could not successfully administer the broad scope of this bill. Commissioner Frankel will come before you in a few days to discuss some of the fiscal challenges currently facing the Department of Finance and I cannot overstate how we are doing more with less. If new mandates are required of the Department of Finance, then its other critical fiduciary responsibilities may not receive the attention that they deserve.

Thank you. Now I will be happy to answer your questions.



*Queens Congregations United for Action*

*NEW YORK  
RECORD*

**Testimony to the City Council Community Development Committee in support of the New York City Responsible Banking Act**

**Monday, March 7, 2011**

My name is Rev. Alex Walbrodt, pastor of Atonement Lutheran Church in Jackson Heights, Queens. My church is a member of Queens Congregations United for Action. QCUA is a faith-based community organization representing 9 congregations and schools and thousands of families in northern Queens.

I am here today to speak in favor of the Responsible Banking Act. Banks need to be more responsive to the needs of the lower income borrower and the needs of the community.

As I am talking to local people, I find out again and again that Mortgage Modifications are not happening in our neighborhood of Jackson Heights.

Homeowners and tenants are hanging in the balance, as they could be foreclosed on anytime. This creates a lot of stress in their lives.

Home prices are still too high for many borrowers, as their incomes have not kept pace with the rise of home prices. Houses used to be sold in my street within two weeks. My neighbors tried to sell their house for the last two years, without success. There were many interested buyers, but they were unable to secure financing. The down payment was too high. It is hard to qualify these days.

I wrote a check to one of my food bank volunteers to help pay for his MTA transportation. He does not have a checking account. Out of the \$20.00 check, the check casher took out \$6.00. I use other ways

to pay them now. Checking accounts need to become affordable for all again. Even \$12.00 a month is too much to pay for a checking account for many people in my community.

Finding and qualifying for a credit card with a reasonable interest rate below 10% is almost impossible. We need RBA to get more transparency. To find out which banks are modifying mortgages, and which are not. Only banks that reinvest in their community should be permitted to do business with City and State agencies. Banks should report in an annual progress report, the loan amounts offered to the community for the past year.

The Rev. Alex Walbrodt,

Atonement Lutheran Church

Jackson Heights, Queens

Member of Queens Congregations United for Action

South  
Brooklyn  
Legal  
Services

Legal  
Services NYC

**TESTIMONY OF THE FORECLOSURE PREVENTION PROJECT OF SOUTH  
BROOKLYN LEGAL SERVICES IN SUPPORT OF THE RESPONSIBLE  
BANKING ACT**

**New York City Council  
Committee on Finance · Committee on Community Development**

**March 7, 2010**

The Foreclosure Prevention Project of South Brooklyn Legal Services welcomes the opportunity to give testimony before the New York City Committees on Finance and on Community Development. We urge the City Council to pass the Responsible Banking Act, Intro. No. 485, which will promote lending practices that support rather than undermine the economic and social health of our communities.

For more than a decade, the Foreclosure Prevention Project has represented low- and moderate-income homeowners at risk of losing their homes because of abusive lending practices. Through litigation and advocacy we have saved hundreds of homeowners from foreclosure.

New York City's low- and middle-income communities face a catastrophe as record numbers of families are at risk of losing their homes, many as a result of predatory subprime lending. The crisis is devastating homeowners and destabilizing neighborhoods. The charter change proposed in Intro 485 is a welcome change. It addresses today's crisis while taking steps to prevent further crises. By choosing to bank with lenders that strengthen our communities, the City sends a potent message to the banking industry and its residents: New Yorkers deserve and demand responsible lenders.

**South Brooklyn Legal Services**

105 Court Street, 3<sup>rd</sup> Floor Brooklyn, NY 11201

Phone: 718-237-5500 Fax: 718-855-0733 [www.sbls.org](http://www.sbls.org)

**John C. Gray**, Project Director

*Towards justice and dignity for all — Por justicia y dignidad para todos*



The proposed charter change seeks to encourage responsible lending by supporting lending institutions that develop and offer necessary financial services to low- and moderate-income New Yorkers. Lenders' history of redlining and the absence of affordable credit contributed to the conditions which allowed an explosion of subprime lending throughout New York's low- and moderate-income neighborhoods. By rewarding lenders who take steps to make much-needed, affordable products available in underserved communities the City promotes the reversal of a pernicious problem.

In our work we have seen many homeowners struggling under the burden of unaffordable mortgages. The economic downturn has caused an ever-increasing number of homeowners to reach out to their lenders to seek a loan modification. All too often, these efforts result in months of delay and frustration as their arrearages, interest charges and fees balloon. The proposed charter change will encourage cooperation with homeowners by supporting those lenders with proven track records of helping New Yorkers restructure mortgages and keep their homes. When a lender refuses to work with homeowners, the subsequent avoidable foreclosures cost the homeowner, community and city in untold ways. Lenders who create such substantial social ills should not benefit from the city's banking business.

One lender whose practices might be greatly altered by this pressure is Emigrant Mortgage Company. Of late, we have seen a disturbing number of Emigrant borrowers in financial crisis. These borrowers fell victim to Emigrant's practice of equity harvesting. In the cases we have seen, Emigrant originated extraordinarily unaffordable loans to New Yorkers with substantial home equity. By charging an astonishing 18% default interest rate once an inability to pay occurs, Emigrant siphons off the home's equity, a move that is extremely profitable to the bank and devastating for the homeowner.

Emigrant's bad behavior extends beyond loan origination: it imposes blanket rules on loan modifications that make their "offers" almost as unaffordable as their initial loans were. Yet, we have reason to believe that Emigrant is responsive to public admonition; following a decision by Judge Spinner of Suffolk County which concluded that the Emigrant's modification offer was so egregious as

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## **The Center for New York City Neighborhoods**

Testimony before the Finance and Community Development Committees  
of the New York City Council

March 7, 2011

Good morning Chairman Vann, Chairman Recchia, and members of the City Council Community Development and Finance Committees. My name is Christie Peale and I am here in my capacity as the Deputy Director at the Center for New York City Neighborhoods (CNYCN). On behalf of CNYCN and our Network Partner grantees, I thank you for this opportunity to testify in support of the proposed NYC Responsible Banking Act (Intro. 485).

As many of you well know, CNYCN is a non profit organization whose mission is to support free housing counseling and legal services to New York City residents at risk of losing their homes to foreclosure. Since we opened our doors in June of 2008, and thanks in no small part to the support of you and your colleagues on the Council, over 12,000 New Yorkers have accessed our services, with many of them calling 311 to get connected to providers in their neighborhoods. Of these homeowners, our network has submitted over 6,000 requests to banks or their servicers for loan modifications, and over 1,700 of those homeowners are now in trial or permanent modification. On average, homeowners who receive modifications are lowering their mortgage payments by \$1,000 a month – which makes a huge difference in their ability to meet their monthly obligations and maintain their homes.

Our Network Partners have worked tremendously hard to achieve these gains, and while we applaud their efforts, we know that the foreclosure crisis is not abating in New York City neighborhoods. There are 30,000 pending foreclosure actions in the 5 boroughs and many more New Yorkers stand to lose their homes if the benefits of true, sustainable loan workouts are not extended to more families. Banks can do more to help struggling homeowners and banks that do more should be rewarded for these efforts.

CNYCN supports the proposed NYC Responsible Banking Act (Int.485) because it will specifically rate banks and financial institutions on their loss mitigation and neighborhood stabilization activity on a census tract level.



We would like to recognize the fact that the proposed legislation examines not only how banks invest in communities but also their efforts to stabilize and sustain them. Within Section 2 (working with borrowers to restructure delinquent home mortgage loans), we would want to see data provided to the Commissioner of Finance that indicated the following:

- The length of time it takes a bank to process loss mitigation requests;
- How much monthly payments are reduced through modification;
- Amount of principal reduction;
- Frequency and amount of second lien write downs;
- Length of time in processing short sales and forgiveness of indebtedness
- Disposition of REO properties to mission-oriented developers
  - And the amount of discount offered to such buyers
- Provision of end-loans for buyers of REO homes and other affordable housing

While outside the bounds of this particular legislation, the City Council's efforts at rating bank performance would be greatly enhanced if Treasury and the OCC released local data on HAMP and modifications on a borough by borough basis.<sup>1</sup>

CNYCN will gladly report back to these committees regarding our ongoing work with banks and servicers, either as a part the hearing structure outlined in Intro 485 or otherwise. We have worked very hard to establish working relationships with the banks and servicers who serve the bulk of our clients, and we encourage them everyday to be more aggressive at finding ways to keep struggling homeowners in their homes. Those banks and financial institutions that do the challenging work of helping New Yorkers in distress are good corporate citizens and should be recognized as such.

Thank you again for the opportunity to speak to you about this legislation and our work on behalf of New Yorkers in mortgage distress. And thank you as always for your support and leadership on these challenging issues.

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<sup>1</sup> The Treasury Dept. reports HAMP data according to the NYC MSA, which includes New York-Northern New Jersey-Long Island, NY-NJ-PA: <http://tinyurl.com/67sxufu> .



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123 Williams Street, 16th Floor  
New York, NY 10038  
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<http://www.urbanjustice.org>

***Community Development  
Public Hearing  
250 Broadway, 16<sup>th</sup> Floor  
New York, New York  
March 7, 2011***

*Urban Justice Center - Community Development Project*

***Testimony before the Committees on Finance and Community Development***

Good morning. My name is Edward W. De Barbieri. I am an attorney in the Community Development Project of Urban Justice Center. Urban Justice Center is a project-based umbrella legal services and advocacy organization serving New York City's most vulnerable residents. Urban Justice Center provides direct legal assistance, systemic advocacy and community education to low and moderate income New York City constituents, including rent regulated tenants, consumers, and homeowners in foreclosure. The Community Development Project (CDP) of the Urban Justice Center formed in September 2001 to provide legal, technical, research and policy assistance to grassroots community groups engaged in a wide range of community development efforts throughout New York City. Our work is informed by the belief that real and lasting change in low-income, urban neighborhoods is often rooted in the empowerment of grassroots, community institutions.

I am here to urge you to support proposed legislation Int.485. This is an essential piece of legislation because it is an important tool in ensuring that banks are responsive to local credit needs. We at Urban Justice Center support additional regulations on banks to put an end to abusive bank lending practices, including predatory lending in consumer and home mortgage credit markets.

Predatory lending practices of many lenders are a principle cause of the recent mortgage foreclosure crisis, which helped to spur one of the greatest economic downturns in U.S. history. Predatory lending has been defined by the FDIC as "imposing unfair and abusive loan terms on borrowers often through aggressive sales tactics; taking advantage of borrowers' lack of understanding of complicated transactions; and outright deception".<sup>i</sup> The victims of these predatory lenders are far too often elderly, undereducated, low-income or racial minorities. These lenders often trick borrowers into believing that an interest rate is lower than it actually is or that the borrower's ability to pay is greater than it actually is. Home mortgage servicers profit from these loans whether or not they perform by selling them as securities on the secondary market.

Contrary to what bank CEOs say, we need further regulation on banks, like proposed legislation Int. 485, to make sure that lenders can no longer get away with these deceptive practices and to protect the public and our economy from further degradation. By compelling banks to address the key credit and financial service needs of small businesses; work with borrowers to restructure delinquent home mortgages; and develop and offer financial services that are most needed by low and moderate income individuals and communities, this legislation will offer much needed protection to consumers while at the same time, assist in strengthening the communities that suffered the most from predatory lending practices. This legislation goes even further and requires that banks provide funding for affordable housing and economic development projects in low and moderate income communities; work with governmental entities and communities to address serious problems concerning the maintenance and condition of buildings financed by the institution; partner in the community development efforts of the city; and develop a strategic plan that details how the bank will meet the credit needs of low- and moderate-income consumers and communities. Proposed Legislation Int. 485 will ensure that lenders are held accountable to the government and the community for the financial services and products that they offer. This legislation is far overdue.

In conclusion, we support proposed legislation Int. 485 because we are committed to ending the predatory lending practices of banks, while helping their unfortunate victims rebuild their lives and their communities. This legislation is an important tool in ensuring that banks are responsive to local credit needs. When we allow predatory lenders to turn borrowers into victims, we allow these lenders to make victims of us all.

Thank you for introducing this bill today and giving me the opportunity to testify on this important issue.

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<sup>1</sup> <http://www.fdicigoig.gov/reports06/06-011.pdf>

READ INTO RECORD



New York Bankers Association

**STATEMENT OF MICHAEL P. SMITH  
PRESIDENT & CEO, NEW YORK BANKERS ASSOCIATION  
REGARDING INT. NO. 485  
SUBMITTED TO THE NEW YORK CITY COUNCIL  
COMMITTEE ON FINANCE AND THE  
COMMITTEE ON COMMUNITY DEVELOPMENT**

Thank you for the opportunity to provide comments on Int. No. 485, A Local Law to Amend the New York City Charter. The New York Bankers Association is comprised of 150 community, regional, and money-center banks operating in New York State, with approximately 200,000 New York employees.

The New York Bankers Association commends the New York City Council for exploring the effective systems that the banks with which it does business have in place to help meet the credit and financial needs of its citizens. The banking industry has a long and proud history of playing a vital role in the life of the City, whether through its financing of consumer needs, housing, and small businesses, its development of affordable housing, its commitment to serving low- and moderate-income neighborhoods, its generosity in charitable and philanthropic causes, or its dedication to bringing financial literacy to even the youngest New Yorkers.

While it is reasonable to expect the City of New York to select the depository banks it uses to safeguard public funds based, among other things, upon aspects of a bank's record of corporate citizenship, the industry has grave concerns regarding the manner in which the Department of Finance would classify the banks and the City Banking Commission would make its selections. Primary among these concerns is the subjectivity inherent in the ranking criteria set forth in Int. No. 485 and the reputational risk such criteria could inappropriately create. This is so for despite the potentially vast swaths of information that might be required to be produced by banks seeking depository status, the proposal offers no clarity on how the information would be weighed and compared among financial institutions. Nor does its rating system reflect or appear to accommodate banks with various missions, such as wholesale banks. Second, the proposal seeks to make public certain proprietary bank information that has strategic business implications. Third, because the criteria to be considered by the Department of Finance would seem to include mandating the types of products and services to be offered, possible terms of restructured home loans, and mandatory submission of strategic plans, it may, in large part, be preempted by state and federal banking law. Finally, we are concerned by the overly burdensome and duplicative reporting that Int. No. 485 would mandate.

Our primary concern is that, despite a potential new mountain of paperwork banks could be required to provide, as well as the seven new categories on which banks would be assessed if Intro. 485 were enacted, the ultimate criteria

on which financial institutions would be ranked and depository institutions selected would be subject to enormous subjectivity, with no clear guidance on how much weight would or should be put on any one category. For example it is completely unclear whether investment by a bank in economic development projects would be deemed to be more or less worthy than an emphasis on meeting the needs of small businesses. In this regard, too, the proposal contemplates a world in which all banks offer the same products and services. New York's banking environment, by contrast, is comprised of banks with a range of widely varying missions. Wholesale banks focus much of their business strategy on serving larger clients, such as fortune 500 companies and large municipalities, such as New York. Thrift institutions are specialized housing lenders, many of whom, such as those who are expert at multi-family housing lending, regard New York City as a prime market. There are niche banks that provide banking services to money services businesses, such as check cashers and money transmitters; others are specialized at making loans on cooperative apartments; some are almost exclusively small business lenders; and others may have far-flung retail branch networks designed to cover as large a geographic reach as possible. By narrowly focusing on census tracts geographically and a limited range of products, the legislation will disadvantage many of these banks in competing for City deposits as well as potentially tarnish their reputation by an inappropriately low ranking. Such inequities and reputational risk could inadvertently discourage safe and sound institutions with strong records of corporate responsibility from seeking to become public depositories.

Second, it appears that the legislation could require that information that provides a competitive advantage for individual banks could be made public under this proposal. For example, the proposal calls for the publication of bank strategic plans. However, strategic planning is exactly the process by which a bank attempts to distinguish itself from its rivals, marshalling the expertise and resources necessary to excel in particular markets. We oppose forcing competitive institutions to share with their competitors the types of trade secrets called for in this bill.

Third, NYBA is concerned that the criteria for the rating represents an inappropriate “backdoor mandate” for which products and services a bank may offer. If banks are to be evaluated based upon their record of meeting the credit needs of the community, beyond what is intended by CRA, then we believe it possible that the Department of Finance would penalize with a low ranking certain institutions for their lack of subprime products, for example. This penalty of a low ranking would be tantamount to a requirement to offer such products – a result, we believe, far outside the scope of the Banking Commission and the Finance Department’s purview.

The New York City Banking Commission rules are laudably designed to provide a framework to ensure that the City’s money is handled by financially responsible banks, that provide the City with an optimal interest rate, and safeguard New

York City's financial interests. The extensive criteria which would be under review pursuant to proposed Intro. 485, however, go far beyond these important objectives. As they include, among other considerations, the types of products and services to be offered by banks, the terms of banks' restructured home loans, and mandatory submission of strategic plans, the criteria would seem to delve into the business of banking itself – an area preempted by both state and federal banking law. It is well settled law that New York State has occupied the field of the business of banking for state-chartered banking institutions (see Section 10 of the Banking Law). The recently enacted federal Dodd-Frank Act, which has, in essence, codified aspects of the United States Supreme Court case, *Barnett Bank v. Nelson*, also prohibits the application of local law with respect to federally chartered institutions if such law "prevents or significantly interferes" with the exercise by a national bank of its powers. The criteria set forth in Intro. 485 would appear to do just that.

Last, the New York Bankers Association respectfully requests that the Council consider alternative ways to achieve its goals without adding to the already onerous reporting obligations of banks, including those already required by Sections 1523 and 1524 of the New York City Charter as well as Title 22 of the Rules of New York City. In fact, the Council could achieve its goals by accessing readily available public information that is already routinely reported by banks and regulators – and in some cases already reported to New York City by its depository institutions and depository institution applicants. To the extent that



additional information is deemed necessary by the New York City Commissioner of Finance or Banking Commission, a plethora of public resources already are available for these purposes. In fact, State and federal banking regulators have built elaborate and sophisticated online data reporting systems to allow consumers to access detailed information about their financial institution. Such systems could well provide the information the Council is seeking to make available to the Department of Finance and the Banking Commission.

For example, the Banking Commission - comprised of the Mayor, the Commissioner of Finance and the Comptroller - which designates the banks in which City moneys are to be deposited, already requires from banking institutions, as part of the application process, an array of information which is responsive to the concerns addressed in Int. 485. In this regard, among many other things, a depository bank applicant must already provide its most recent State and federal CRA examination summary reports, its most recent federal and State CRA ratings, a copy of the bank's banking development district application and the State Banking Department's approval of such application, if applicable, and a certificate setting forth the bank's policy regarding branch closings. With this information in hand, the Banking Commission then makes a designation, relying upon the Federal and State CRA rating, and such other factors as the Banking Commission deems relevant, including a bank's participation in the banking development district program. With all this information already required, the need for more strategic and product information is unnecessary and would

place an inappropriate additional burden on banks who are already being inundated with new regulatory requirements as a result of the Dodd-Frank Act. If there is a need for more data, however, it already can be found in, Federal Deposit Insurance Corporation Call Reports, the website of the New York State Department of Banking, the Federal Reserve, and the Federal Financial Institutions Examination Council (APPENDIX A).

There is also a trove of information reported by any financial institution that currently participates in the State's Banking Development District program and the Excelsior Linked Deposit Program. Much of this reported data focuses on banks' lending commitment to their communities, and would be very helpful in the City's consideration of banks' seeking to do business with the City of New York. The Banking Development District application process is administered by the State Banking Department. The depository aspects of the Excelsior Linked Deposit Program, in which 72 New York banks and thrifts participate, is administered by the State Comptroller and the Commissioner of Taxation and Finance according to a thorough and established application process.

In summary, the New York Bankers Association strongly opposes Int. No. 485 on the grounds that it would impose a subjective new, unnecessary, and duplicative burden of reporting on banks in order for them to do business with the City of New York. As we have noted, we believe the proposal interjects a potentially high degree of new subjectivity into the ranking and depository selection process,

while lacking sufficient flexibility in its criteria to accommodate the City's varied banking entities. We also believe the proposal would threaten the confidentiality of competitive and sensitive proprietary information, and could in large part be preempted by State and federal law. Should the Department of Finance and the Banking Commission believe it should add to its already expansive review of potential banking depositories in order to evaluate their community commitment, there is ample, current, and detailed information already in the public domain to which City officials have complete access.

Thank you.

## **APPENDIX A: Publicly Available Information**

Source: New York State Banking Department  
Website: <http://www.banking.state.ny.us/intrate.htm>

### Credit Card Fees

Annual Fee  
Balance Transfer Fee  
Cash Advance Fee  
Over Limit Fee  
Late Payment Fee  
Foreign Currency Fee  
Standard APR  
Penalty APR  
Introductory Rate

### Bank Fees

Minimum Deposit to Avoid Fees  
Monthly Service Fee  
Number of Free Items  
Per Item Fee  
NSF Fee  
Online Bill Pay Fee

### Consumer Loan Rates

New Auto Loan  
Used Auto Loan  
Home Equity Loan  
Home Equity Line of Credit

### Mortgage Rates

Fixed Rate Conforming  
Adjustable Rate Conforming  
Fixed Rate Jumbo  
Adjustable Rate Jumbo

Source: Federal Deposit Insurance Corporation  
Website: <http://www.fdic.gov>

Demographic Information  
Assets and Liabilities  
Income and Expense  
Performance and Condition Ratios  
Changes in Bank Equity Capital

Charge-offs and Recoveries from Loans and Leases  
Changes in Allowance for Loan and Lease Losses  
Income from Foreign Offices  
Balance Sheet  
Securities  
Cash and Balances Due from Depository Institutions  
Loans and Leases  
Loans to Small Businesses and Small Firms  
Trading Assets and Liabilities  
Deposits in Domestic Offices  
Deposits in Foreign Offices  
Derivatives and Off-Balance Sheet Items  
Past Due and Nonaccrual Loans Leases and Other Assets  
1-4 Family Residential Mortgage Banking Activities  
Regulatory Capital  
Servicing Securitization and Asset Sale Activities  
CRA Ratings  
Summary of Deposits by Branch

Home Mortgage Disclosure Act (HMDA) Data

Source: Federal Financial Institutions Examination Council

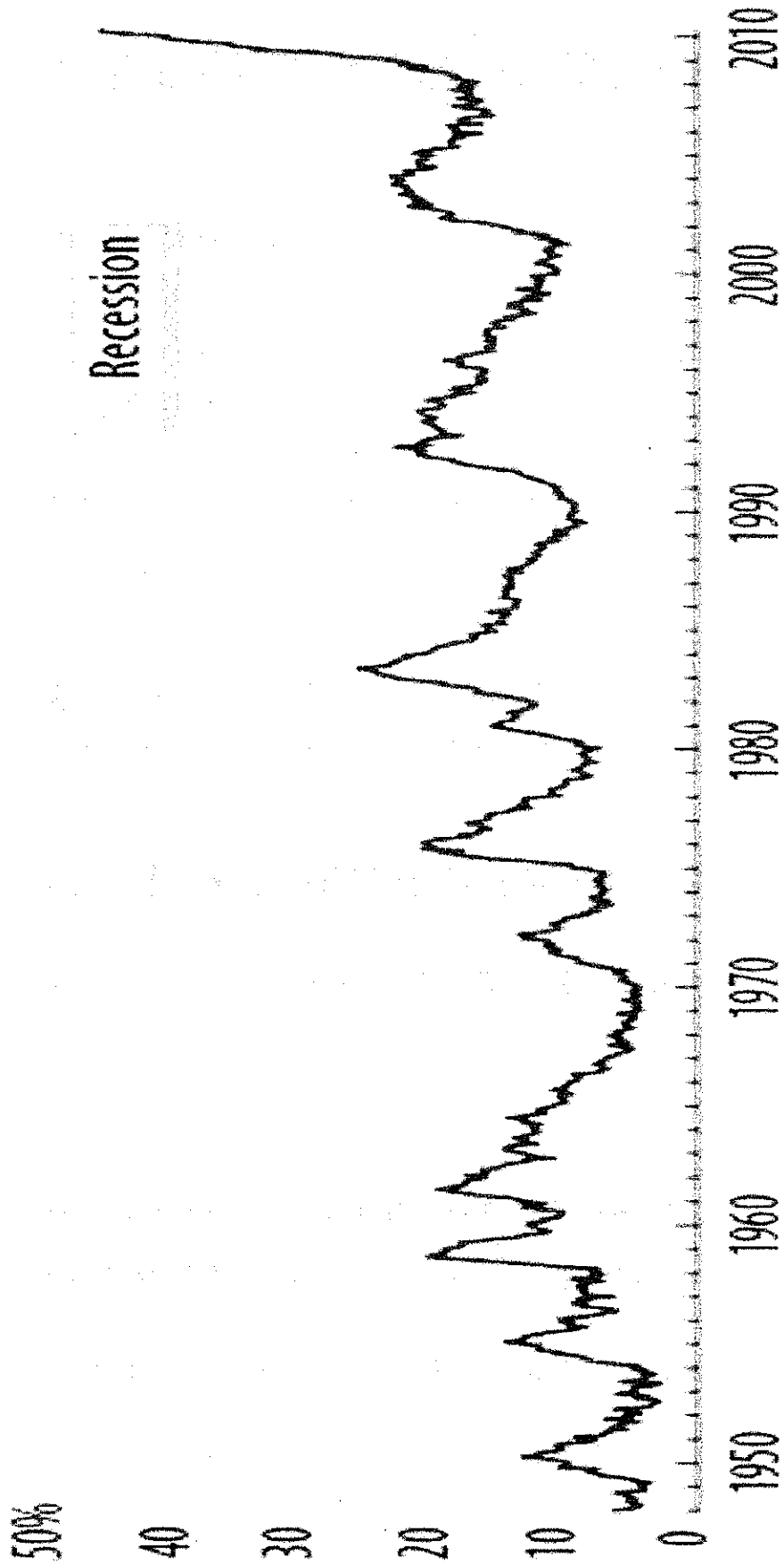
Website: <http://www.ffiec.gov/hmdaadwebreport>

Applications by Tract  
Loans Sold by Tract  
Loans Sold by Purchaser Type  
FHA, FSA/RHS and VA Purchases by Race  
Conventional Purchases by Race  
Refinancings by Race  
Home Improvements by Race  
Multi-Family Loans by Race  
Nonoccupant Loans by Race  
FHA, FSA/RHS and VA by App Income  
Conventional Purchases by App Income  
Refinancings by App Income  
Home Improvements by App Income  
Nonoccupant Loans by App Income  
FHA, FSA/RHS and VA Purchase by Tract Income  
Conventional Purchases by Tract Income  
Refinancings by Tract Income  
Home Improvements by Tract Income  
Multi-Family Loans by Tract Income  
FHA, FSA/RHS and VA Purchase Denials  
Conventional Home Purchase Denials  
Refinancing Denials

# LONG-TERM UNEMPLOYMENT

Long-Term Unemployment at Record Levels

Long-Term Unemployed as a Share of Total Unemployed



Sources: Bureau of Labor Statistics and National Bureau of Economic Research.

clipping

# RECORD PROFITS FOR THE

## BANKS

in billions  
Financial industry profits

Non-financial industry profits

..... Nominal U.S. gross domestic product

