anhd inc.

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, Director, before NYC Council Finance Committee in Support of Intro. 485-A, the Community Investment Transparency Initiative (CITI)

April 30, 2012

Good morning. My name is Benjamin Dulchin and I am the Director of ANHD Inc. Thank you Chairman Recchia and committee members for this opportunity to submit testimony in favor of Intro 485-A and for your leadership in helping ensure the City of New York partners with banks to meet the credit needs of our communities and consumers.

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 polices and programs to support affordable, flourishing neighborhoods for all New Yorkers, especially our lower income residents.

The banking industry is vital to the health and development of our city and communities. The federal government recognizes this and has given them significant financial benefits such as access to the Federal Reserve's discount window. In exchange for this taxpayer-subsidized assistance, we need the banks to partner with all levels of government to deploy capital in a responsible way to all consumers, but especially underserved communities. We need engaged, innovative financial institutions that provide the lending, investment and services—including small business owners, homeowners, responsible landlords, and community development organizations—that our neighborhoods rely on to be vibrant, affordable places to live and work.

However, as the banking industry has consolidated and become dominated by large national, and even international, institutions, many banks have become less responsive to the credit needs of local communities and consumers. ANHD released a study last year that showed despite an increase of $38 billion in NYC deposits—some likely driven by taxpayer bailouts—NYC banks decreased their lending and investment to New Yorkers by over $4.4 billion. This means that less of *our* money is flowing back into *our* city to help build affordable housing, grow small businesses, and keep neighborhoods vibrant, attractive places to live and work.

Although the federal Community Reinvestment Act (CRA) is supposed to ensure banks don't just *take* money from our communities, federal regulators have been increasingly unable to hold banks accountable to distant and distinct "local communities" as they spread their focus over a wider and wider footprint. For years, community-based organizations, citywide policy experts, and local elected officials have looked for a way to reverse these trends and it has been impossible to either get them to respond affirmatively to the issues we brought to their attention or even know how banks were deploying capital in our communities.

New York City currently deposits billions of taxpayer dollars in banks, making it a large consumer of financial services. Currently, banks that want to be eligible to hold city deposits must be designated by the NYC Banking Commission on a bi-annual basis. However, the process is little more than a rubber stamp and little attention, if any, is given to how the bank is trying to meet the credit needs of communities and consumers. A sophisticated consumer does business with those partners that best represent their interests. Other major cities—including Philadelphia, Pittsburgh, and Cleveland—understand this and have enacted laws that tie city deposits to bank performance. The NYC Community Investment Transparency Initiative (CITI) is a smart, moderate approach to replicate these efforts and encourage banks to meet the credit needs of New Yorkers.

Given the banks' huge reductions in lending, investment, and services over the past several years, it is clear the banks need this encouragement. ANHD Inc. enthusiastically supports the CITI because it is designed to give NYC the information it needs to make informed decisions on where it deposits taxpayer dollars.

Specifically, the CITI will:

- Create **a new Community Investment Advisory Board** with eight member, and works to balance the members of the Board between industry and community representatives. The board will be housing and staffed within the Department of finance, and report to the New York City Banking Commission in order **to inform and impact the Banking Commission's process designating banks that apply to receive New York City treasury deposits**.

- Authorize the Board to **hold public hearings in every borough of the city every two years**, soliciting input from the community, and draft and publish "**community banking needs assessment**" **that details the specific banking issues and needs of low- and moderate communities in our city**.

- Direct the Board to annually **collect from applying banks detailed information, with local-level data, about their activities to meet the credit and banking needs of our communities**. The Board will make that bank information public, then **hold a city-wide public hearing to solicit community input on the performance of each bank in meeting community needs**. The Board will then write and publish a report with a **detailed evaluation of each bank**.

- **Encourage each bank to submit their own "community investment plan"**, which proactively lays out that bank's plans to meet the credit and banking needs of low- and moderate income communities, and that plan must specifically respond to the community banking needs assessment written by the Board. **The individual assessment of each bank done by the Board every year will measure banks against the goals in the community needs assessment, holding banks accountable to an outside standard**.

In sum, the bill will create a new and effective system of transparency and oversight for local banks. Contrary to what the banking industry has alleged, Intro. 485-A would not force banks to make risky loans or write of debt. Rather, it *requests* that banks that want city deposits merely report their activities. This doesn't require burdensome reportage – banks already provide much of this data to their regulators and to us, just not at the community level which is so critical to assessing which neighborhoods lack access to credit. Furthermore, although there are modest costs associated with administering the CITI, it is clear that a small upfront and ongoing investment by NYC will result in much more private capital flowing into our communities. Philadelphia, which works with a consultant to administer its "Responsible Banking Act," spends less than $50,000 a year on this initiative.

In the wake of an economic crisis that, in many ways, had its basis in a disconnect between the bank industry and the actual credit needs of borrowers, our city needs a new tool that can encourage banks to be more responsive and transparent. Intro. 485-A will create that tool. Transparency is a value we all should be able to get behind.

Thank you for this opportunity to submit testimony.