

CITY COUNCIL  
CITY OF NEW YORK

-----X

TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON COMMUNITY DEVELOPMENT

-----X

February 22, 2010

Start: 1:00pm

Recess: XX:XXpm

HELD AT: 250 Broadway  
Hearing Room, 14<sup>th</sup> Floor

B E F O R E:  
ALBERT VANN  
Chairperson

COUNCIL MEMBERS:  
Melissa Mark-Viverito  
G. Oliver Koppell  
Helen D. Foster  
Vincent J. Gentile  
Diana Reyna  
James Sanders, Jr.

## A P P E A R A N C E S

Michael P. Smith  
President and CEO  
New York Bankers' Association

Linda Levy  
Chief Executive Officer  
Lower East Side People's Federal Credit Union  
Credit Union National Association of New York

Allison Lynch  
COO  
Brooklyn Cooperative Federal Credit Union

Deyanira Del Rio  
Member of Board of Directors  
National Federation of Community Development Credit  
Unions

2 CHAIRPERSON VANN: Are we going to  
3 kick this bad boy off? I'm not sure where Dottie  
4 went. Good afternoon, ladies and gentlemen.  
5 Thank you so much for being here. As you know, I  
6 am Council Member Albert Vann, Chairman of the  
7 Committee on Community Development. And, I  
8 welcome you to our hearing and look forward to  
9 your participation.

10 This afternoon, the Committee will  
11 consider Resolution 17, which calls upon the State  
12 Legislature and Governor to enact legislation  
13 which would allow credit unions, savings banks and  
14 savings and loan associations to receive municipal  
15 deposits. Hmm, sound very simple.

16 For more than a century, however,  
17 New York State has prohibited cities and towns,  
18 which would include New York City, from depositing  
19 public funds in all types of financial  
20 institutions, except, of course, commercial banks  
21 and trusts. Therefore, credit unions, savings  
22 banks and savings and loans associations, which  
23 have had and have integral parts of working with  
24 the community, have really been excluded from this  
25 practice.

1  
2           There are many reasons why this  
3 practice needs to be changed. One such reason  
4 concerns the enormity of this matter. It is  
5 estimated that cities and towns in New York  
6 deposit over \$6 billion in commercial banks.  
7 Another reason is that the residents of the State,  
8 and our City, are placing significant amounts of  
9 money in financial institutions and they deserve  
10 to have a fair and appropriate return on their  
11 money. In other words, if we were to place all  
12 the money in more diverse financial institutions,  
13 would that provide a better rate of interest?

14           And, there are two ways to measure  
15 a fair return or, at least, two ways to measure  
16 fair return on municipal deposits. Obviously, the  
17 one is earn interest. In today's hearing, we will  
18 explore whether New York City stands to save money  
19 by placing deposits in financial institutions, as  
20 well as commercial banks. We wish to know whether  
21 New York City would receive a better interest rate  
22 because of the pool, diverse pool, of financial  
23 institutions.

24           B) Return or social returns;  
25 generally, the reinvestment of funds within the

1  
2 community. We know that for years the large  
3 commercial banks, we do not think, have done a  
4 good job of meeting the needs of low income  
5 disadvantaged communities. And, many of these  
6 banks are the same banks that were accused of  
7 practicing redlining in the past.

8           We are living in perilous economic  
9 times and every dime of the public's money needs  
10 to be preserved, needs to be maximized. What we  
11 know is that homeowners are being foreclosed upon  
12 and by some of the same banks that the, you know,  
13 taxpayers bailed out. Long-time neighborhood  
14 merchants are laying off workers and many are  
15 closing because they cannot get loans from, again,  
16 from some of the very same banks that we are  
17 bailing out.

18           In today's world, the community,  
19 the CDFIs are needed, unlike previous times when  
20 we wondered whether or not they were competent and  
21 they are; were they secure and now, we know that  
22 they are. And, there's more evidence to show that  
23 CDFIs truly understand and connect with the  
24 communities in which they conduct business and  
25 which they have chosen to serve.

1  
2 Earlier this month, President Obama  
3 authorized up to a billion dollars in federal  
4 funding for CDFIs, Community Development Financial  
5 Institutions. The United States Treasury  
6 Secretary, Timothy Geithner, stated that CDFIs  
7 operate in parts of the country where unemployment  
8 is way above the national average and where  
9 there's been a huge amount of damage to people's  
10 faith and confidence in the system.

11 Most encouraging, Governor Paterson  
12 recently included in his 210-211<sup>th</sup> [sic] budget  
13 proposal the subject of today's Resolution. His  
14 proposal would give local governments the ability  
15 to deposit monies in non-commercial banking  
16 institutions, which is essentially what Resolution  
17 requests.

18 What we also know is that last  
19 month Mayor Bloomberg stated he plans to deposit  
20 \$25 million of City funds into five City credit  
21 unions. He stated that this would strengthen  
22 neighborhood friendly credit unions, which reach  
23 out to customers who may have never had a bank  
24 account. But, of course, the Mayor's plan is  
25 contingent upon the municipal deposit legislation,

1

2

which is pending in Albany.

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Today's hearing provide an opportunity to hear the arguments for and against this proposed legislative change and, of course, we will hear advocates, presumably pro and con.

We're joined by a member of Committee, Council Member Melissa Viverito to my right and Council Member Oliver Koppell, who just joined us.

COUNCIL MEMBER KOPPELL: Good afternoon.

CHAIRPERSON VANN: Thank you. And, others, of course, will be coming and going. And, without further ado, I'd like to call our first witness, whom I know from a former life, Michael P. Smith from the New York Banker's Association. Mr. Smith.

MICHAEL SMITH: Thank you, Mr. Chairman, members of the panel. Good afternoon. I am Michael Smith. I am the President and CEO of the New York Bankers' Association. We appreciate the opportunity that we have today to comment on Council Resolution Number 17. As the Chairman has pointed out, this

1  
2 Resolution would support legislation, which the  
3 Governor has placed in his budget, which would  
4 allow credit union, savings banks and savings and  
5 loans to accept and secure deposits from municipal  
6 corporations.

7 First of all, our Association, to  
8 give you a snapshot, is comprised of community,  
9 regional and money center commercial banks and  
10 thrifts doing business throughout the State of New  
11 York. There are approximately 160 of these  
12 institutions. And, many, when we talk about the  
13 banking industry, we lose sight of the fact that  
14 many banks are called community banks, operating  
15 in neighborhoods and villages throughout the state  
16 and the City of New York.

17 Our industry employs approximately  
18 250,000 employees, which are heavily concentrated,  
19 those employees, in the City of New York. We have  
20 more than 1,700 bank branches in the City, I might  
21 add, that's an increase of about 10 or 20% over  
22 the last decade, serving residents in virtually  
23 every neighborhood in the City.

24 We strongly support those  
25 provisions of Resolution Number 17, which



1 authorize savings banks and savings and loan  
2 associations to accept and collateralize municipal  
3 deposits. As was noted by the Chairman, this is  
4 an important step and we do endorse that.  
5

6           However, our Association strongly  
7 opposes authorizing credit unions to engage in the  
8 same activity. Why do we draw this distinction?  
9 The answer is simple. It is dealing with the Tax  
10 Code. Savings banks and savings and loan  
11 associations are major contributors to the fiscal  
12 health of New York State and City through the  
13 income taxes, sales taxes, mortgage recording and  
14 other taxes that they pay. Credit unions, by  
15 their very nature and by their charter, do not pay  
16 these taxes.

17           Last year, alone, the State's banks  
18 and thrifts paid more than \$1 billion in income  
19 taxes to the State; 1.4 billion in income taxes to  
20 the City of New York and hundreds of millions in  
21 additional income taxes to Yonkers and the MTA  
22 district and further millions in sales and other  
23 taxes. The Mayor's most recent budget proposal  
24 would increase these taxes by requiring lenders to  
25 pay \$50 million more per year in additional

1 mortgage recording taxes.

2  
3 Credit unions do not pay these  
4 taxes. They are exempt from the additional  
5 mortgage recording tax and sought and received an  
6 exemption from the new MTA payroll tax that is  
7 shared by every other employer, including schools,  
8 and have actually filed suit in State Supreme  
9 Court to be relieved of paying other taxes.

10 Whereas, New York City's community commercial  
11 banks and trust companies can compete on an even  
12 playing field with savings banks and savings and  
13 loan associations that pay similar amounts in  
14 their tax, their tax exemptions give credit unions  
15 an enormous, and we believe, unfair pricing  
16 advantage. Name the business or partnership or  
17 individual if you had to compete against someone  
18 who was not paying these income taxes and you can  
19 see the disparity right away.

20 And, the contributions of the  
21 City's banks and thrifts go far beyond paying  
22 taxes. As the principal small business lenders in  
23 New York, banks and thrifts provide the funding  
24 for millions of jobs that allow the State and City  
25 to grow. In addition to processing local

1  
2 government accounts, they provide grants,  
3 financial advisory and money management services  
4 and volunteer support to community groups that  
5 would otherwise be financially unattainable. They  
6 are the first in line to fund local projects from  
7 the underwriting and purchase of municipal bonds  
8 to providing reinvestment dollars for the  
9 rehabilitation of blighted neighborhoods. In  
10 virtually every local neighborhood across New York  
11 City, the local banker takes the lead in civic  
12 projects, charitable contributions and in released  
13 time programs to allow officers and employees to  
14 volunteer for needed local events. We are very  
15 proud of this record. And, most recently, during  
16 the Speaker's State of the City address this past  
17 week, we were very pleased to endorse an effort to  
18 allow a second look on small business lending as  
19 part of our New York Business Development  
20 Corporation partnership.

21 A 2005 study conducted by Cornell  
22 University, and note in our testimony funded by  
23 the Association, demonstrated that municipal  
24 deposits serve as core deposits at many community  
25 banks and that those deposits fund a myriad of

1  
2 community activities. Municipal deposits are bank  
3 resource that broadens the base for community  
4 lending. New York's banks provide a broad array  
5 of banking services to their municipal customers.  
6 A strong majority of banks provide these services  
7 at no cost.

8           New York's banks demonstrate a high  
9 degree of involvement in direct economic  
10 development and a strong majority of banks and  
11 their employees provide leadership, administrative  
12 and financial support for community events,  
13 programs and needs. And, I might add that the New  
14 York Banker's Association plays an active role,  
15 not only in supporting these activities, but also  
16 being an endorser and sponsor of these activities,  
17 whether it's through the Community Lending  
18 Corporation here in the City of New York, the  
19 NYBDC, as I noted earlier, or Operation Hope, our  
20 financial literacy partner here in the City.

21           The study also demonstrates  
22 providing credit unions with public deposits  
23 disproportionately hurt the State's community  
24 banks. Although municipal deposits make up on  
25 average 4% of a bank's deposit portfolio for a

1 community bank, that figure can go as high as 11%.  
2 For some banks, these deposits actually make up  
3 more than a quarter of their entire deposit base.  
4 By contrast, the City's credit unions pay only  
5 property taxes. Additionally, because they are  
6 exempt from income taxes, they have no reason to  
7 purchase tax exempt municipal bonds, which pay a  
8 lower rate of interest than do tax exempt  
9 obligations, further evidence that credits unions  
10 are far less likely than banking institutions to  
11 support their local governments in this particular  
12 activity.  
13

14 In addition, only the State's 20  
15 remaining State-chartered credit unions out of a  
16 total of 461 credit unions in the State of New  
17 York, are subject to the State's Community  
18 Reinvestment Act, which mandates that banks and  
19 thrifts serve the credit needs of the  
20 neighborhoods in which they are located. These  
21 activities are examined by Federal and State  
22 examiners every year as it relates to banks. None  
23 are subject to the Federal CRA with its extensive  
24 recordkeeping examination and enforcement  
25 requirements. We understand that is a distinction

1  
2 between banks and credit unions that has been in  
3 the law for many years and is part of the Charter  
4 distinction.

5 A number of studies have shown that  
6 credit unions do not have the positive track  
7 record in the community reinvestment arena. For  
8 example, the U.S. Government Accounting Agency  
9 Office, GAO, at the request of the Congress,  
10 studied credit union services to low-income  
11 communities and found that "Credit Unions lag  
12 behind banks in serving low and moderate-income  
13 households." This study was done in 2005 and is  
14 the most extensive study in terms of the credit  
15 union industry.

16 Another recent study by the  
17 University of Wisconsin at Madison found the  
18 majority of the \$2 billion annual federal subsidy  
19 for credit unions is going to higher income  
20 individuals. Sixty-one percent of the benefits go  
21 to households with incomes over 95,000; 10% going  
22 to households making under 35,000.

23 At a time when the State and City  
24 clearly, as the Chairman has pointed out, are  
25 struggling with massive budget deficits, now would

1  
2 be the worst possible time to take local deposits,  
3 government deposits, out of taxpaying banks and  
4 place them in non-taxpaying credit unions. For  
5 every dollar removed from a bank and placed in a  
6 credit union, a dollar in earning assets is  
7 extinguished. The earnings on bank assets are  
8 taxed by the State of New York and the City of New  
9 York, while no earnings on credit union assets  
10 could be taxed. As a result, the State and City  
11 would lose potentially millions of dollars in tax  
12 revenue by allowing credit unions to take local  
13 government deposits away from the industry.

14           One of the reasons stated in the  
15 Governor's memorandum in support for providing  
16 credit unions with this authority would be to  
17 provide higher returns on those funds. But, the  
18 tax revenue lost by pulling those deposits from  
19 taxpaying institutions to non-taxpaying  
20 institutions, we believe, would almost certainly  
21 exceed whatever additional interest the credit  
22 union would provide on the deposit. Indeed, based  
23 on currently posted rates, there may be no  
24 increased rate of return at all. Upon review of  
25 recent rates offered by the largest credit unions

1  
2 and those offered by some of the largest banks, we  
3 found that these credit unions were consistently  
4 paying 50 basis points less than banks for savings  
5 accounts and money market accounts.

6           Still another reason cited by the  
7 Governor for providing credit unions with this  
8 authority was that they would reinvest a larger  
9 percentage of municipal deposits in local loans.  
10 This is not surprising given the fact that  
11 advocates for the industry have stated that they  
12 are required to lend out the deposits they  
13 receive. However, Federal and State law, banking  
14 law, have no such requirement. And, it does not  
15 withstand analysis if you look at the loan to  
16 deposit ratios published by the Federal regulators  
17 comparing both banks and credit unions.

18           In summary, our Association  
19 strongly urges that the City Council approve a  
20 Resolution urging the Legislature and the Governor  
21 to provide authority to accept public deposits to  
22 the State's taxpaying savings banks and savings  
23 and loan associations. We strongly oppose  
24 providing a similar authority to credit unions.  
25 Taking deposits out of banks and thrifts would



1  
2 further deplete the State's revenue stream  
3 without, in any way, improving service to the  
4 State's lower income communities. In short, our  
5 position is very simple and clear, that  
6 institutions that pay taxes should be allowed to  
7 accept taxpayers' dollars.

8 Mr. Chairman and members of the  
9 panel, thank you so much.

10 CHAIRPERSON VANN: Yeah, thank you  
11 for your testimony. Council Member Koppell had a  
12 reaction to something. You wanted to ask a  
13 question?

14 COUNCIL MEMBER KOPPELL: You go  
15 first.

16 CHAIRPERSON VANN: Okay. Very  
17 good.

18 COUNCIL MEMBER KOPPELL: I do want  
19 to ask a question, but you go first.

20 CHAIRPERSON VANN: No, go ahead.  
21 It's not--

22 COUNCIL MEMBER KOPPELL:  
23 [Interposing] Maybe you'll--

24 CHAIRPERSON VANN: I don't--

25 COUNCIL MEMBER KOPPELL: --ask my

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

question.

CHAIRPERSON VANN: Yeah, I don't stand on ceremony. It's okay.

COUNCIL MEMBER KOPPELL: All right. Well--

CHAIRPERSON VANN: Take your time. Go ahead.

COUNCIL MEMBER KOPPELL: One thing that I believe convinced the Chairman and certainly convinced me was, to support this legislation, was the testimony of these community development institutions. Now, they're community development banks that make small loans in low-income community. What is your position on those banks receiving municipal deposits?

MICHAEL SMITH: Our position is as stated that those institutions that pay taxes should be authorized to accept public dollars. Our--

COUNCIL MEMBER KOPPELL: [Interposing] Do those community development banks pay taxes or they don't?

MICHAEL SMITH: In some instances, it's my understanding, be more than happy to

1 supplement my testimony today, some of those  
2 institutions are getting support from our banks,  
3 to my knowledge. Some of our institutions are  
4 supporting the community development credit unions  
5 as part of their CRA obligations. And, if--

6 COUNCIL MEMBER KOPPELL:

7 [Interposing] I think that's--

8 MICHAEL SMITH: I think--

9 COUNCIL MEMBER KOPPELL: I think  
10 there was testimony to that affect. I'm not--

11 MICHAEL SMITH: [Interposing] I  
12 believe--

13 COUNCIL MEMBER KOPPELL: -- denying  
14 that.

15 MICHAEL SMITH: -- that is the  
16 case. And, in that case, those institutions would  
17 be indirectly affiliated or being supported by  
18 taxpaying institutions. However, in a very simple  
19 and direct answer, not to in any way get it caught  
20 up in try to distinguish, we feel very strongly  
21 about the ability to take public deposits as a  
22 core business of the taxpaying banking industry.  
23 And, we would object to those who, to receive this  
24 authority, who do not pay taxes and compete  
25

1  
2 unfairly, we believe, against those businesses  
3 that, by their Charter, by their incorporation,  
4 are taxpaying institutions. And, you know, this  
5 is not-- we believe this is an issue very, very  
6 clearly of fairness. And, we'd be more than happy  
7 to expand on the CDFI program other than the fact  
8 if they were standing out there as tax exempt  
9 chartered institutions, we would oppose them  
10 getting the deposits.

11 COUNCIL MEMBER KOPPELL: I hear  
12 what you're saying. And, if there's any  
13 clarification you want to give afterward, that's  
14 fine. I mean, I felt that those institutions make  
15 the kind of loans, these very small, almost  
16 microcredit loans, that banks wouldn't go near.  
17 And so, I felt-- and, they also are relatively  
18 small compared to banks. So, my own personal  
19 view, Mr. Chairman, is that those community  
20 development institutions that make these  
21 microcredit or small credit loans, even though  
22 they may not be taxpaying, I don't know the answer  
23 off the top of my head, I still would favor. But,  
24 I hear the point the bankers are making. But,  
25 and, I appreciate the clarification. And, if you

want to give us any further information on that--

MICHAEL SMITH: Definitely.

COUNCIL MEMBER KOPPELL: -- that would be fine.

MICHAEL SMITH: May I add, also, too, that in the microloan area, I mentioned the New York Business Development Corporation. This, by the way, is an organization that was chartered in 1954 by the State of New York and is a quasi-public/private institution, which is underwritten, by the way, by about 130 banks in the State of New York. Our organization, I'm a Director of that organization, and we have a lot of confidence in this organization that it should be in its outreach to the communities that I believe are the interest of the panel. And, we were one of the first organizations to be at the World Trade Center site. Post 9/11, making microloans with no documentation, basically, of anywhere from 5 to \$10,000, that's your typical, under 10, microloan. And, there are organizations like this that are operating and they are supported by our banking institutions.

CHAIRPERSON VANN: I'm sort of

1  
2 intrigued by the apparent, or anticipated,  
3 competition that commercial banks would have if we  
4 were to allow-- if the State were to allow  
5 municipal deposits into credit unions. The scale  
6 is so diverse in terms of the services and the  
7 magnitude of commercial banks based on the assets  
8 of credit unions, it's almost-- I can't see that  
9 competition really being of some concern. But,  
10 you seem to suggest your concern is the fact that  
11 they don't pay taxes. But, I think you did admit  
12 that they do pay property taxes, but they don't  
13 pay corporate business taxes.

14 MICHAEL SMITH: That's right,  
15 income taxes.

16 CHAIRPERSON VANN: They do pay  
17 property tax, yeah. And, they also pay a tax on  
18 their dividends, if I recall correctly. But, that  
19 aside, you put a lot of stress on funding of  
20 community banks.

21 MICHAEL SMITH: Right.

22 CHAIRPERSON VANN: How do you  
23 define - - ?

24 MICHAEL SMITH: Sure. Important  
25 distinction, Mr. Chairman, and I appreciate the

1  
2 opportunity to comment on this, where we talk  
3 about the banking industry and the New York  
4 banking industry, it's the most diverse industry  
5 in the United States, if not the world. Our  
6 smallest member is about \$10 million in deposit  
7 size, operating in Western New York. And, our  
8 largest, some of the largest banks in the world  
9 are over \$2 trillion in asset size. Those banks  
10 operating in communities throughout the State of  
11 New York, those banking institutions which we call  
12 community banks, those are the institutions on a  
13 relative basis, who are going to be competing day-  
14 in and day-out and are competing day-out and day-  
15 out with credit unions. They are not, some of the  
16 largest financial institutions in Upstate New York  
17 are not banks. They are credit unions.

18                   And, these are the institutions  
19 that, at the first instance, would be the most  
20 adversely impacted by taking a business-- by  
21 putting them at a competitive disadvantage. We've  
22 talked about this interest rate and the fact that  
23 they could get local governments or school  
24 districts could get greater return on their  
25 dollars or get greater or lower loan rates. Well,

1  
2 it goes without-- if you don't pay any taxes, you  
3 have to have an advantage, a pricing advantage.

4 And, those institutions that  
5 represent maybe 80 to 90% of our membership, and,  
6 in term of asset size might be 20% or 15% of all  
7 the assets, banking assets in the State of New  
8 York, those institutions would be adversely  
9 impacted by this legislation. And, they are  
10 operating on street corners throughout the State  
11 of New York. And, our response, no matter how,  
12 you know, people want to direct or redirect it, is  
13 very simple, if you want to do this business and,  
14 if you want to engage in the business of banking,  
15 then become a bank; convert to a thrift charter,  
16 which is a mutual form in many cases, which is  
17 similar to the credit union membership issue.  
18 And, you can do all of this.

19 But, at what point do you begin to  
20 distinguish where-- at what point is there no  
21 difference between a bank and a credit union?  
22 And, you get a tax advantage. You know, to us,  
23 this is something where, you know, where do you  
24 draw the line. Now, there's legislation in  
25 Washington that would increase the business



1  
2 lending, it doubled the business lending authority  
3 of the credit unions. Where do you draw the line?  
4 And so, you know, our position, with all due  
5 respect, is that this is where you draw the line.

6 CHAIRPERSON VANN: Okay. I can  
7 understand where you may want to draw the line  
8 representing--

9 MICHAEL SMITH: Right.

10 CHAIRPERSON VANN: --commercial  
11 banks.

12 MICHAEL SMITH: I understand.

13 CHAIRPERSON VANN: I, and others,  
14 may not be that concerned and think that in  
15 America competition is thought to be good, whether  
16 some have the advantage over the others; the  
17 advantages that you have, obviously, over credit  
18 unions, as you are trying to articulate, there's  
19 certain advantages they would have because of  
20 their tax-exempt status. But then, there are the  
21 people who need to be reinvested. There need to  
22 be reinvestment in their community, need to have  
23 access to loans, albeit, they may be even small  
24 loans. So, I'm not overly impressed with the  
25 competition argument, 'cause that's the basis of

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

American tradition.

But, I am concerned, as we had to pass-- Congress had to pass CRA, because there was not enough investment, if you will, in low-income communities and communities of color. So, we have to try and find ways to incentivize in some way and other ways penalize to get commercial banks and community banks to do what you would expect they would do because they're doing business in a community and they're receiving the deposits of people in the community where they have their bank.

So, obviously, there's always been a need for the government to try and find other ways for the community to get benefit from the fact that they're depositing their money. So, I'm not overly-- I hear your argument, I'm not overly sympathetic with it. But, I, you know, my ear-- I hear you and have heard you.

But, I'm more concerned about finding ways for communities such some low-income communities, some middle-income communities, or communities of color who do not have access to the banks as they should. And, we do not have the

1  
2 level of reinvestment that we believe that we  
3 should. And, if credit unions, on the scale that  
4 they function on, I can't see that being a threat  
5 to commercial banks. And, we should find a way to  
6 provide some additional deposits into them. It's  
7 not in lieu of commercial banks, in addition to  
8 commercial banks. I'm trying to see where that's  
9 a major threat. I don't see the threat to  
10 commercial banks. Am I missing something here?  
11 The unfair competition at the level that they  
12 would receive money is so infinitesimal, I don't  
13 see it as being a threat.

14 MICHAEL SMITH: Well, I understand  
15 your point, Mr. Chairman. And, I have tried to,  
16 in the written statement and in my statements, to  
17 indicate that many people view banking in a  
18 monolithic way. They view banking as being, you  
19 know, just this big, big, huge institution out  
20 there. It is not. It's comprised, there're about  
21 9,000 banks around the United States. There are,  
22 as I said, 160, 170 here in New York; average  
23 asset size probably once you get below the  
24 largest, the very largest, which is probably four  
25 or five banks, would probably be in the-- anywhere

1  
2 in the range of half a billion to 5 billion or...

3 And but, maybe 100 less than that.

4 And, the fact of the matter is this  
5 is significant for those institutions and it's  
6 significant for the entire industry because at  
7 what point do we draw the line in terms of  
8 distinguishing between a tax-exempt financial  
9 institution and a taxpaying institution? And,  
10 when you have the Federal government moving in,  
11 aggressively, in one direction, that is the  
12 direction of expanding authority, and, at the same  
13 time, this kind of action here at the State level,  
14 you will, at some point, not have a distinction.  
15 And, that does become a very serious matter in  
16 terms of competition because it does matter.

17 Now, we support, in the State of  
18 New York, and we stand on our record, we support  
19 CRA. We've done a lot in the last 15 to 20 years  
20 to make it more efficient and effective, much more  
21 so than other parts, we believe, of the country.  
22 We support the Banking Development District  
23 Program, which has put new banking branches in, I  
24 think it's over 20 or 30 neighborhoods in the City  
25 of New York, I can supply that to the Committee,

1  
2 which allows those institutions to receive  
3 deposits from local governments and the State  
4 government, tied to the obvious, paying taxes.  
5 And, that program is working very well because  
6 we've had hearings on that. We've had hearings on  
7 the - - Linked Deposit program. And, those are  
8 designed to put more funds in these institutions,  
9 so that they are incented to go into these  
10 neighborhoods, leaving aside the business side of  
11 it.

12 So, we believe the track record is  
13 there. And, we would urge that you take that into  
14 consideration as you move forward.

15 CHAIRPERSON VANN: But, of course.  
16 One further question. I'm wondering, you seem to,  
17 again, stress the advantage of credit unions. Is  
18 there a reason why more commercial banks, or any  
19 commercial banks, have sought to convert to a not-  
20 for-profit status, a not-for-profit credit union?  
21 Is there some reason why we have not seen that?  
22 And, I'm not advocating it. I'm just--

23 MICHAEL SMITH: [Interposing] We've  
24 seen, obviously, in some parts of the country, a  
25 conversion of credit unions to banking

1  
2 institutions. Well, first of all, that is a  
3 choice I suspect that is there. But, you would  
4 obviously-- publicly-held companies have shares  
5 and you'd have to get the permission of the  
6 shareholders to sell basically, you know, to  
7 extinguish the stock. A mutual company, which  
8 many of our thrifts are, would be the closest to  
9 what, Chairman, what you were mentioning. And,  
10 obviously, it's their choice to maintain what they  
11 have today. And, a lot of their charter is based  
12 on housing and finance and, the Tax Code.

13 And so, I believe, we would say and  
14 argue that, quite frankly, the logical approach is  
15 if you want to engage in more of these bank-like  
16 activities, just convert to becoming a bank or a  
17 thrift institution.

18 CHAIRPERSON VANN: How much money  
19 do the commercial banks in New York State invest  
20 in CDFIs?

21 MICHAEL SMITH: I do not have that  
22 information. But, I'd be more than happy to  
23 supply that to you and to the Committee.

24 CHAIRPERSON VANN: Would you hazard  
25 a guess or percentage, anything? Just some rough

1  
2 idea.

3 MICHAEL SMITH: I do not have that.  
4 And, I would not want to comment on that  
5 without...

6 CHAIRPERSON VANN: Okay. Very  
7 good. Um, do you know how the CDFIs are currently  
8 using the billion dollars in TARP funds that were  
9 made available through the Obama Administration?  
10 Is that within your - - ?

11 MICHAEL SMITH: I am not. At the  
12 same time, maybe more than, you know, we're  
13 generally familiar, obviously, with the general  
14 machinery related to the TARP program. But, that  
15 would be related to the banks. And, I would like  
16 to go back and--

17 CHAIRPERSON VANN: Sure, sure.

18 MICHAEL SMITH: -- get that for  
19 you.

20 CHAIRPERSON VANN: It's my belief,  
21 I guess, information indicating the credit unions  
22 have a lower default rate than other depository  
23 institutions, including commercial banks. Is that  
24 true?

25 MICHAEL SMITH: I do not have that

1 information.

2 CHAIRPERSON VANN: Okay.

3 MICHAEL SMITH: I would ask--

4 CHAIRPERSON VANN: I thought you  
5 may know. Any other questions for Mr. Smith? No?  
6 Thank you very--

7 MICHAEL SMITH: [Interposing] Thank  
8 you, Mr. Chairman.

9 CHAIRPERSON VANN: We appreciate  
10 your testimony.

11 MICHAEL SMITH: Thank you very  
12 much.

13 CHAIRPERSON VANN: And, we'll look  
14 into all the questions that you raised. Chair  
15 would like to call Linda Levy, who is from the  
16 Lower East Side Chaney [phonetic]. What's that?  
17 Credit Union? People's Credit Union. Okay.  
18 Okay. I understand you will be speaking on behalf  
19 of the Credit Association. Is that correct?

20 LINDA LEVY: Yeah. I'm speaking on  
21 behalf of both my credit union, the Lower East  
22 Side People's Federal Credit Union, and the Credit  
23 Union Association of New York.

24 CHAIRPERSON VANN: Okay. Very  
25



1  
2 good.

3                   LINDA LEVY: It happens that the  
4 Credit Union National Association is having its  
5 big government affairs conference in Washington,  
6 DC this week. So, the people in Albany are all in  
7 Washington. So, I got the opportunity to  
8 represent everybody. And, if it's all right with  
9 you, I would like to do my prepared testimony and  
10 then, address some of the points that Mr. Smith  
11 brought up in his.

12                   So, good afternoon. I appreciate  
13 the opportunity to speak to you today. I'm the  
14 Chief Executive Officer of the Lower East Side  
15 People's Federal Credit Union. And, we are  
16 obviously in favor of Resolution Number 17, which  
17 calls upon the New York State Legislature to  
18 adopt, and the Governor to sign, legislation which  
19 would allow credit unions, saving banks and  
20 savings and loan associations to accept deposits  
21 from municipal corporations.

22                   These are difficult times for all  
23 New Yorkers, too many of whom have lost their jobs  
24 and many more are making do with less. Principals  
25 remain committed to ensuring our children receive

1  
2 a quality education in the face of reduced  
3 funding. City leaders are striving to maintain  
4 basic services, as mandates are claiming ever  
5 larger portions of their budgets. And, citizens  
6 are legitimately concerned about taxes. Amidst  
7 this backdrop, we should all look for ways to  
8 maximize resources for the betterment of New York  
9 and its citizens.

10           Fortunately, credit unions have the  
11 potential to help State and local officials in a  
12 way that doesn't cost State or local taxpayers a  
13 dime; but, instead, will save them money and  
14 increase the range of options available to elected  
15 officials in New York City and throughout the  
16 State.

17           In his 2010 to '11 budget proposal,  
18 Governor Paterson has proposed that local  
19 governments be given the option of placing their  
20 municipal deposits in credit unions. By embracing  
21 the concept of municipal depository choice, the  
22 Governor has provided to the Legislature a cost  
23 effective means of maximizing the tax dollars of  
24 New Yorkers and providing local governments much  
25 needed flexibility as they seek to save resources.

1  
2 Furthermore, whether it is Mayor  
3 Bloomberg proposing to deposit up to \$25 million  
4 or a fire district in Kingston seeking the best  
5 return on its investment, this is a proposal that  
6 could help all types of municipalities across the  
7 State. Currently, there are several pieces of  
8 legislation pending before the New York State  
9 Legislature. A bill by Senator Kevin Parker and  
10 Assemblyman Carl Hasty would allow municipalities  
11 to work with credit unions and savings banks.  
12 And, legislation sponsored by Senator Craig  
13 Johnson and Assembly member Harvey Weisenberg  
14 would allow depository choice, but with a cap of a  
15 million dollars per deposit.

16 We believe there is widespread  
17 support in Albany for passage and enactment of  
18 this legislation this session. Both Senate  
19 conference leader Samson and Majority leader Smith  
20 have expressed support for the passage of the  
21 legislation. And, in the Assembly, the bill was  
22 recently reported by the Local Governments  
23 Committee. Nearly 50 members of the Assembly  
24 signed a 2009 letter to Speaker Silver urging his  
25 action on municipal depository choice.

1  
2 Under the Governor's proposal,  
3 Federally and State-charter credit unions, as well  
4 as Federally and State-chartered savings and loan  
5 associations, would be authorized to accept  
6 municipal deposits in those municipalities where  
7 they have a headquarters or branch office. In  
8 order to address potential concerns that taxpayer  
9 funds are adequately protected, the local  
10 government would have the ability to negotiate  
11 both the form and amount of collateral to secure  
12 their funds. This is the same process currently  
13 in place to collateralize such deposits and  
14 commercial banks. The Governor's proposal does  
15 not require local governments to deposit funds in  
16 any particular type of financial institution. It  
17 simply gives them the opportunity to diversify  
18 where they have their funds.

19 Currently, commercial banks enjoy  
20 monopoly on municipal deposits, which had an  
21 estimated total value of between six and \$8  
22 billion. They have this monopoly largely because  
23 municipal deposit laws predate the creation of  
24 credit unions. The majority of states, including  
25 California, Connecticut and New Jersey, have long

1  
2 since rectified this anomaly and just last week,  
3 the State Legislatures of New Mexico and Oregon  
4 acted upon depository choice legislation.

5 Authorizing credit unions to accept  
6 municipal deposits is such a common practice that  
7 the Federal Credit Union Act explicitly authorizes  
8 Federal credit unions to accept these deposits.

9 However, localities in New York State, including  
10 New York City, are statutorily prohibited from  
11 utilizing this option, since the Municipal Deposit  
12 law limits the financial institutions into which  
13 they can place funds.

14 Municipal deposit legislation is a  
15 targeted investment that would generate localized  
16 economic development. Credit unions are the last  
17 truly local financial institutions in this state.  
18 My credit union is a 24-year-old certified  
19 Community Development Financial Institution with a  
20 multiple common bond that serves anyone who lives  
21 or works on the Lower East Side, Community Board  
22 3, and/or Central Harlem, Community Board 10. We  
23 also serve employees and volunteers of several  
24 nonprofit organizations and local businesses and  
25 residents of low income housing co-ops established

1  
2 by HPD, which are called HDFCs. In addition, any  
3 low income resident in the five boroughs is  
4 eligible for membership in our credit union.

5 The National Credit Union

6 Administration, our regulator, has designated us a  
7 low-income credit union. That means that at least  
8 50% or more of our members are low income. As  
9 such, our deposits stay local. Our lending is  
10 local and our reinvestment is in our local  
11 community. There is no reason to doubt that  
12 public deposits in credit unions would have the  
13 same local impact.

14 Since the creation of the Office of  
15 Financial Empowerment in 2006, which, by the way,  
16 was announced at our credit union, we have been  
17 active participants in a wide range of New York  
18 City asset building initiatives. These include  
19 Safe Start accounts, Opportunity NYC accounts and  
20 the tax time savings incentives Save NYC accounts.  
21 Our participation with the Department of Consumer  
22 Affairs goes back even further, since we started  
23 our VITA site in 2003. I would note that none of  
24 the major banks participate in these projects to  
25 serve the underserved, primarily because the

1  
2 programs are perceived as too costly with no  
3 financial reward for the bank. An advantage of  
4 being mission driven and nonprofit is that we  
5 measure our success not only through  
6 profitability, but through service.

7 In proposing that the City of New  
8 York be permitted to deposit up to \$25 million in  
9 New York City-based credit unions, as Mayor  
10 Bloomberg announced during his State of the City  
11 speech, City funds would be leveraged locally and  
12 allow the credit union to make further investments  
13 in low income communities, many of which we all  
14 know have been disproportionately hit by the  
15 economic downturn. And, I'd also like to point  
16 out, just in terms of giving you a sense of scale,  
17 the Mayor has said that he wants to put up to \$25  
18 million into credit unions and has noted that this  
19 is a very small portion of the City's budget. My  
20 credit union is \$25 million in assets. So, just  
21 to give you a sense of what size financial  
22 institutions we're talking about here.

23 This model is in sharp contrast to  
24 the for-profit banking model. Bankers have a  
25 fiduciary obligation not to depositors, but to

1  
2 shareholders who want to see their investments  
3 maximized. While both models have their place in  
4 the capitalist system, if the last two years have  
5 shown us anything, it is the danger of a system in  
6 which profit becomes such an overriding goal that  
7 the needs of depositors becomes a distant concern.  
8 Once municipal deposits are given to a commercial  
9 bank, those funds may just as likely be used to  
10 support a construction project in Atlanta as they  
11 would be to support a small business in Manhattan.  
12 You can be sure that deposits in our credit unions  
13 will remain in our communities.

14 Frankly, it is not a coincidence  
15 that commercial banks have needed close to \$700  
16 billion in Federal bailout money while credit  
17 unions have not needed a cent. We live with the  
18 consequences of our investment decisions. Just as  
19 more and more individuals are discovering that  
20 credit unions represent a better alternative,  
21 local municipalities anxious to maximize the  
22 public trust and the value of tax dollars  
23 contributed by financially stressed New Yorkers,  
24 deserve that same opportunity and the same  
25 commitment to sound investments represented by the



1 credit union philosophy.

2  
3 Credit unions are qualified to  
4 accept municipal deposits. The majority of states  
5 already authorize their credit unions to accept  
6 these funds. We are insured to the same extent as  
7 commercial banks and we'll collateralize these  
8 deposits just the same as commercial banks. One  
9 need only compare the delinquency rates of credit  
10 unions in the current economic environment with  
11 commercial banks to see that credit unions are  
12 more than qualified to handle the public's money.  
13 The Credit Union National Association has reported  
14 that through September 2009, banks had a loan loss  
15 rate nearly twice as high as credit unions.

16 The banking industry claims credit  
17 unions are undeserving of municipal deposit  
18 authority because we do not pay taxes. Our  
19 opponents constantly misrepresent the true status  
20 of credit unions. The simple truth is credit  
21 unions do pay taxes, including property and  
22 payroll taxes. As not-for-profits, which reinvest  
23 their earnings to their member owners, credit  
24 unions do not derive corporate income and,  
25 therefore, do not pay corporate income tax.



1  
2 Development Districts. My credit union was formed  
3 in 1986. We received our charter after two years  
4 of working to start the credit union. And, the  
5 reason the credit union got started was because a  
6 bank, Manufacturer's Hanover Trust, which I don't  
7 know how many people here remember, decided to  
8 close its doors because it was not profitable to  
9 remain in the community. And, believe it or not,  
10 back in those days, in 1984, a bank that closed on  
11 the corner of Avenue B and Third Street was  
12 actually that made them the last-- they were the  
13 last remaining bank branch for a 100-square-block  
14 area on the Lower East Side. And, that is why our  
15 credit union got started was to provide a  
16 financial institution for the people of the Lower  
17 East Side.

18           Since that time, we've been sitting  
19 there making our loans, helping the people in the  
20 neighborhood, helping them build their assets,  
21 helping them improve their lives. And, the  
22 neighborhood has been designated a Banking  
23 Development District so that several banks could  
24 open up branches in the community now that things  
25 are a little bit better than they were in 1984.

1  
2 In all this time, we have not  
3 received a penny of municipal funds through a  
4 Banking Development District because, again,  
5 Banking Development Districts do not include  
6 credit unions because we cannot accept municipal  
7 deposits. So, we sat there with our, you know,  
8 like I say, we're now very proud, after 24 years,  
9 we finally made it to \$25 million, making loans to  
10 small businesses in the community, to residents in  
11 the community, to people who are trying to buy the  
12 low income housing co-ops that are in the HDFCs  
13 and preserving affordable housing, while we watch  
14 major banks popping up around the neighborhood  
15 with the support of municipal and state funds  
16 through the Banking Development District. So, we  
17 just find it very ironic that the banks are  
18 worried about us as a threat to them and feel that  
19 we have an unfair advantage.

20 In addition, when we talk about  
21 business lending, when we refer to microloans in  
22 my credit union, what we're talking about are  
23 loans made to micro entrepreneurs in the amount of  
24 \$500 to \$15,000. When we talk about small  
25 business loans in my credit union, we're talking

1  
2 about loans from \$15,000 to \$50,000. And, when we  
3 talk about our really big loans, we're talking  
4 about, our business loans, we're talking about  
5 loans that are 50,000 to \$250,000.

6 Most banks aren't even going to  
7 talk to, well, nowadays, I can tell you no bank is  
8 talking to any business about making a loan. And,  
9 we're actually getting people coming to our credit  
10 union who have been told by the Chase on the  
11 corner that they should come, if they want a loan,  
12 they should come to us because Chase is not making  
13 the loans. But, they know that the credit union  
14 will. But, back in the day when the banks were  
15 making loans, they weren't making loans for under  
16 \$15,000. Even if they said that they're making  
17 microloans, they were not what we consider to be  
18 microloans.

19 So, we are addressing a population  
20 that is completely different from the banks.  
21 There is really no competition because the banks  
22 wouldn't be making the loans to the people that we  
23 make the loans to. The HDFC buildings in the City  
24 of New York, the Housing Development Fund  
25 Corporations, these are the low income co-ops that

1  
2 are started by HPD after HPD takes over a building  
3 because the taxes weren't paid. They then train  
4 the tenants of those buildings to manage the  
5 buildings themselves and turn them into  
6 cooperatives. And, they sell the units very, very  
7 cheaply to the people who already live in the  
8 buildings. When I say cheaply, like right now,  
9 the insider price for an HDFC co-op is like \$2,400  
10 for an apartment.

11 But, the thing is, these buildings  
12 are all income restricted and resale restricted.  
13 So, banks are not interested in making loans to  
14 the people who live in these buildings or to the  
15 buildings themselves if they need a loan to fix  
16 their roof, buy a new boiler, whatever the purpose  
17 might be. Our credit union is virtually the only  
18 lender in the City of New York, along with a  
19 couple of other Community Development credit  
20 unions, that will even let these buildings talk to  
21 us about a loan.

22 So, again, we're talking about a  
23 completely different group of people that we are  
24 lending to that the banks don't ever lend to and  
25 don't have any interest in lending to. So, we're

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

really don't believe that we're in competition.

I also think that, Councilman Vann, you made a good point that if credit unions were such a big-- if they have such a big advantage over banks because they don't pay taxes, then why don't banks decide to become nonprofit credit unions and then, they would be in the same place that we are and they'd have all the same great advantages that we have. But, they don't do that because we know that that's not where you make a lot of money. Our credit union, tell you the truth, if there was a tax on our credit union, we'd still wouldn't be paying anything because we don't have any income. There's nothing left for us to pay taxes on.

And, as far as our ability to lend money out, I would also just like to point out that my own credit union has currently loaned out-- our loan to share ratio is 135%, which means that we depend on nonmember deposits to fund a good portion of our loans because we have such a high loan demand and we're out there making those loans when no one else is making them.

And, that's all I have to say right

1  
2 now.

3 CHAIRPERSON VANN: I failed to  
4 mention two members who have joined us, Council  
5 Member Foster, Helen Foster, to my left and  
6 Council Member Gentile to my right.

7 There's just one area of concern  
8 around credit unions, result of the studies that I  
9 think Mr. Smith may have made reference to. And,  
10 in fact, one of the studies indicated that  
11 majority of the \$2 billion annual Federal tax  
12 subsidy for credit unions is going to higher  
13 income individuals. And, a similar study by the  
14 Woodstock Institute, the credit unions are failing  
15 in serving people with low to moderate incomes.  
16 If credit unions were created as an affordable  
17 alternative to commercial banks, they're straying  
18 from their mission. Could you speak to that,  
19 generally?

20 LINDA LEVY: Well, obviously, my  
21 credit union is a low income credit union. We  
22 only serve, you know, I would say probably a good  
23 85 to 90% of our members are low income. But, in  
24 general, the National Credit Union Administration  
25 has recently put out the figures that 96% of the



1  
2 members of Federal credit unions have households  
3 of less than \$100,000 a year. So, while they may  
4 not be low income in the Federal guidelines of low  
5 income of around \$40,000 per year for a family,  
6 they're certainly lower income on average than  
7 the-- than people who use the banks.

8           And, according to the Home Mortgage  
9 Disclosure Act data, credit unions make a larger  
10 percentage of loans to low income and moderate  
11 income borrowers than banks and thrifts. The  
12 thing to remember when we look at these numbers,  
13 and I know that I've seen the Woodstock  
14 Institute's numbers, as well, is that credit  
15 unions are restricted to making loans to their  
16 fields of membership. And, certainly, if that  
17 were to change, if there were legislation to talk  
18 about the possibility that credit unions could  
19 make loans to those outside their field of  
20 membership, you'd really hear from the banks then.

21           But, as a result, you know, if a  
22 credit union's membership is, for example, UN  
23 Federal Credit Union, all of their members work  
24 for the United Nations. They can't make a loan to  
25 a low income person because all of their

1 membership are well-paid employees of United  
2 Nations Federal Credit Union. So, they-- or, I  
3 mean, of the United Nations. So, that kind of  
4 skews the numbers when you're looking at what  
5 credit unions are actually able to do for low  
6 income communities. And, I think that if you look  
7 at the-- if you remove the employer-based credit  
8 unions so that we're not looking at credit unions  
9 whose membership is really restricted to people  
10 who are, by definition, earning a certain level of  
11 income and you look at the community credit  
12 unions, I think that you would find that credit  
13 unions do, in fact, serve low-income populations.

14  
15 CHAIRPERSON VANN: Okay. I think  
16 it was during your testimony, someone mentioned  
17 the insurance question in terms of insured to the  
18 same extent as commercial banks or something along  
19 those lines.

20 LINDA LEVY: Um, hm.

21 CHAIRPERSON VANN: Can you clarify  
22 for me the insurance question in regards to  
23 commercial banks and--

24 LINDA LEVY: Well, we have--

25 CHAIRPERSON VANN: --credit unions?

1  
2 LINDA LEVY: Commercial banks are  
3 insured by the FDIC. And, we're insured by what's  
4 called the National Credit Union Share Insurance  
5 Fund, which is administered by the National Credit  
6 Union Administration. But, the insurance is  
7 exactly the same form as the FDIC. We're insured  
8 up to \$250,000 per account.

9 CHAIRPERSON VANN: Councilman  
10 Gentile.

11 COUNCIL MEMBER GENTILE: Great.  
12 Thank you for your very substantive testimony.  
13 I'm curious. The previous testimony I missed, but  
14 I was just reading the transcript. It's accurate  
15 that you, the credit unions, are not subject to  
16 the Community Reinvestment Act?

17 LINDA LEVY: That's right.

18 COUNCIL MEMBER GENTILE: And, so  
19 then, what, and I believe you said in your  
20 testimony that there's no reason to doubt that  
21 public deposits in credit unions could have the  
22 same local impact. And, I think you were  
23 referring to the Community Reinvestment Act. Or,  
24 I'm sorry, no, you weren't. But, you were talking  
25 about reinvestment in the local community. And,

1  
2 you go on to talk about some of the things that  
3 you're already doing. How would this change,  
4 increase, or what else would you do as an act of  
5 reinvestment to the local community if you had the  
6 municipal deposits?

7 LINDA LEVY: Well, in my particular  
8 case, at my credit union, like I say, we're 138%  
9 loaned out. So, we would be able to make more  
10 loans. And, we would be investing in more of our  
11 local businesses and more of the low-income  
12 housing co-ops.

13 COUNCIL MEMBER GENTILE: And,  
14 that's separate and apart from what you're doing  
15 now with the Office of Financial Empowerment?

16 LINDA LEVY: What the Office of  
17 Financial Empowerment has a number of different  
18 initiatives to address underserved New Yorkers.  
19 And, we participate in all of those. But, that's  
20 not municipal funds. That's a separate-- there  
21 aren't any real funds involved in it. There's  
22 just, we participate in the program.

23 COUNCIL MEMBER GENTILE: So, in  
24 essence, you're saying that these municipal  
25 deposits would be the basis for your, at least

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

your, credit union producing more loans.

LINDA LEVY: Correct, yeah.

COUNCIL MEMBER GENTILE: And, that would be the reinvestment that--

LINDA LEVY: Yeah.

COUNCIL MEMBER GENTILE: -- you're talking about.

LINDA LEVY: Yeah.

COUNCIL MEMBER GENTILE: I see. Okay. Thank you.

CHAIRPERSON VANN: Yes, Miss Levy, given the nature of your membership, you know, common bond of employment, Association - - etcetera, does that enable you to provide some of the same services as commercial banks, like check clearing, financial management, cash management?

LINDA LEVY: Yeah. We provide a wide range of services. Our credit union, since it's started, especially given that it started to replace a bank that left, has always had, as a major goal, to be able to do everything that a bank can do so that our members get every service that they could get. The only thing that we don't do is we don't have things like IRAs and various

1  
2 kinds of investment tools, other than just we have  
3 share certificates, which are like CDs. And, we  
4 have money market accounts. But, we don't do any  
5 kind of service where we would be reinvesting our  
6 members' money into some other investment pool  
7 because we don't feel that we have the expertise  
8 to put our members' money at risk. So, we just...

9 CHAIRPERSON VANN: Could you  
10 speculate on the interest rates that New York City  
11 might gain through depository choice versus what  
12 they do now, specifically with commercial banks?

13 LINDA LEVY: Well, quite frankly, I  
14 don't know what they're getting right now from  
15 commercial banks. So, I do know that we are very  
16 competitive with commercial banks. And, that's  
17 one of the things that we work hard to do is to  
18 make-- and, again, the reason that we are is  
19 because we want our members to be able to benefit  
20 as much as possible from being in the credit  
21 union. So, we try to meet whatever rates are out  
22 there. You know, I can't say what--

23 CHAIRPERSON VANN: [Interposing]  
24 Yeah. Is it true--

25 LINDA LEVY: -- rate they're going-

1  
2 - what rate the City is going to get until it  
3 happens.

4 CHAIRPERSON VANN: Okay. Is it  
5 true that credit unions have a lower default rate  
6 than commercial banks?

7 LINDA LEVY: We certainly do  
8 currently, yeah.

9 CHAIRPERSON VANN: Why is that?

10 LINDA LEVY: Well, I think that,  
11 this is just my own hypothesis, but, I would say  
12 that what's happened over the last few years is  
13 that, as we all know, banks were doing, you know,  
14 no income verification loans. They were sort of  
15 giving loans to people without a whole lot of  
16 focus on whether or not they could pay those loans  
17 back. And, one of the reasons that they could do  
18 this is because they, then, sold those loans to  
19 somebody else so that the banks were not holding  
20 these potentially bad loans on their books.

21 Credit unions, and certainly my  
22 credit union I can speak for, we hold all our  
23 loans. We don't make bad loans because we can't  
24 afford to. If we made bad loans, we're the ones  
25 who would be in default, would be suffering the

1  
2 default, not somebody else that we sell them to.  
3 So, I think that that's probably one of the main  
4 reasons that credit unions now have a lower  
5 default rate is because we had to be a lot more  
6 careful when we made our loans. And, we always do  
7 income verification. And, we always make sure our  
8 members pay us-- are able to pay us back.

9           You know, one of the things from  
10 our point of view is that it's not helping our  
11 members to give them loans that they can't afford.  
12 And, if a member comes to us and they want more  
13 money than we feel that they're able to afford, we  
14 will work with them and, first, make a  
15 counteroffer and say, look, you know, you can't  
16 afford a \$5,000 loan. How about a \$2,000 loan or  
17 whatever we can do with them to help them to, if  
18 they really need some money, they can get a loan.  
19 But, let's get them something that they can afford  
20 to pay back. It's not doing anyone any good, not  
21 them, not us, to give them a loan that they can't  
22 pay back.

23           CHAIRPERSON VANN: Thank you.

24 During your testimony, beginning of your-- you  
25 seem to suggest reasons to be hopeful now that



1  
2 perhaps wasn't there before. Is that a accurate  
3 feeling that there's a good possibility Albany may  
4 do something that they haven't done in 100 years?

5 LINDA LEVY: We're hoping. So, we  
6 think that there's been a lot of attention given  
7 to credit unions in the last year because they  
8 have been strong when banks have started to show  
9 their weaknesses. And, I think there is a much  
10 greater sense in the general population that  
11 credit unions are a strong, sound alternative to  
12 banks and, hopefully, our legislators will see it  
13 the same way.

14 CHAIRPERSON VANN: Thank you very  
15 much.

16 LINDA LEVY: Thank you.

17 CHAIRPERSON VANN: - - Miss Levy,  
18 thank you. The Chair would like to call Allison  
19 Lynch from the Brooklyn Cooperative Federal Credit  
20 Union.

21 ALLISON LYNCH: Thank you, City  
22 Council Members. I would like to respond to some  
23 of the points made by the Bankers Association.  
24 I'll intersperse those with my prepared remarks.

25 My name is Allison Lynch. I'm COO

1 of Brooklyn Cooperative Federal Credit Union.

2 And, on behalf of Brooklyn Cooperative Federal  
3 Credit Union, a nonprofit financial institution  
4 with 6,200 members, I would like to thank the City  
5 Council and, particularly, Councilman Al Vann from  
6 my home district of Bedford Stuyvesant, for  
7 considering this Resolution 17, urging the New  
8 York State Legislature to adopt legislation which  
9 would allow credit unions, savings banks and S&Ls  
10 to accept deposits from municipal corporations.  
11

12 As you know, New York continues to  
13 be one of only 13 states that do not allow credit  
14 unions to accept public funds. Municipalities,  
15 just like other New York City businesses and  
16 consumers, are seeking alternatives to the high  
17 cost of doing business with banks. Credit unions,  
18 as mission-driven, Federally regulated financial  
19 institutions, that are 100% locally owned by their  
20 membership, represent that alternative.

21 In response to some of the  
22 questions that were raised initially, we, right  
23 now, currently offer 2% return on a one-year  
24 Certificate of Deposit, with a minimum balance of  
25 \$500. From what the market's offering in New York

1  
2 City, that rate is generally available in  
3 commercial banks for deposits of about 20,000.  
4 And, as Linda said, \$500 loans are generally are  
5 bottom level, but we don't only do them on  
6 September 11<sup>th</sup>, it's every day.

7           We're experiencing decreasing  
8 support, unfortunately, by commercial banks as  
9 they go through their own tightening of their own  
10 financial resources. It is impacting us. Also,  
11 the Federal Charter, because we are Federally  
12 chartered as a credit union, we inherently have to  
13 serve underserved populations. So, the CRA  
14 requirement is built into what we do. We don't  
15 need an additional one.

16           I'd basically like to start off  
17 saying that, from our opinion, there is no good  
18 reason for the commercial bank monopoly to  
19 continue in terms of municipal deposits in what  
20 should be a free and open market.

21           Brooklyn Cooperative is a certified  
22 Community Development financial institution,  
23 certified by the U.S. Treasury Department. Its  
24 mission is to further economic development in its  
25 target market of Bushwick and Bedford Stuyvesant

1  
2 by offering fair and affordable financial products  
3 and services. Like residents in so many low-  
4 income neighborhoods, our members have few options  
5 when it comes to savings accounts, checking  
6 accounts, reasonably priced personal or mortgage  
7 loans or working capital to start or expand their  
8 businesses. Currently, there are less than eight  
9 branches serving the 250,000 people in our target  
10 market, whereas, here in Manhattan, you see two or  
11 three branches per block.

12 We don't offer 29% interest rate  
13 credit cards. We don't have \$40 late fees. Our  
14 overdraft fee is \$3.

15 To fill this gap, the credit union  
16 has evolved a full range of financial products and  
17 services and now, operates six days a week out of  
18 two fulltime branches and has emerged as a model  
19 community development credit union nationwide.  
20 Currently, Brooklyn Cooperative has 6,200 members  
21 and has 9.5 million in assets. Our loan portfolio  
22 is fully lent out at approximately \$7 million,  
23 reflecting the strong demand in our communities  
24 for fair and affordable options for personal,  
25 automobile and mortgage loans. Our net capital,

1  
2 as of December 2009, was 10.8%, compared to the  
3 minimum reserve requirement for credit unions of  
4 6%. So, we are almost twice as healthy as we need  
5 to be.

6 The services we provide are no-fee  
7 savings accounts with a minimum balance of only  
8 \$5. Still, up to 40% of our members report that  
9 their first bank account was with us. So, we are  
10 serving an under-banked population.

11 We offer personal loans, automobile  
12 loans, one-day emergency loans. We offer small  
13 business loans for startups and established  
14 businesses up to \$100,000 and, again, as small as  
15 a couple thousand. We offer residential and  
16 commercial mortgage loans, including loans to co-  
17 ops and for mixed-use properties. We offer tax  
18 preparation services for small businesses and the  
19 self-employed.

20 In our community orientation, we  
21 have bunch of different additional programs, such  
22 as pre-purchased homeownership counseling and  
23 education, including potential to qualify for up  
24 to \$40,000 in downpayment assistance from New York  
25 City, a very real benefit and important asset for

1  
2 a low income person to reach for their first home.  
3 We offer free foreclosure prevention counseling.  
4 We have helped more than 100 clients to date to  
5 help stay in their homes in the communities of  
6 Bushwick and Bedford Stuyvesant. We offer free  
7 tax preparation for individuals and families  
8 through the VITA program, which is offered with  
9 the IRS.

10 The credit union is the second  
11 largest noncommercial tax preparer in Brooklyn.  
12 In 2010, our free tax service is operating out of  
13 five locations in Central Brooklyn with a mandate  
14 to serve 3,000 taxpayers, which we will exceed,  
15 and obtain \$5 million in earned income tax credit  
16 refunds for our communities.

17 I should add on the topic of taxes  
18 and corporate taxation, since all of-- yes, we are  
19 nonprofit and we don't pay corporate income tax.  
20 But, you know, that's because we're putting all  
21 our profit back into the community. It is  
22 actually the most direct and most efficient way to  
23 bring the funds that are needed back to the  
24 community.

25 We also cooperate with a range of

1  
2 New York City agencies assisting with various City  
3 initiatives directed towards asset building. With  
4 HPD, we offer home improvement loans. And,  
5 completion of our home education workshops  
6 qualifies attendees for HPD's Home First program.  
7 We are one of only five lenders, Citywide, who  
8 participate in New York City's Economic  
9 Development Corporation's CAP Access program.  
10 Through the CAP Access program, the City offers up  
11 to a 35% collateral guarantee for qualified small  
12 businesses. Mayor Michael Bloomberg held the  
13 press conference opening CAP Access at our credit  
14 union in May of last year.

15 We also work with the Office of  
16 Financial Empowerment. We offer Save NYC accounts  
17 in conjunction with our free tax prep service,  
18 which offers taxpayers a match of up to \$500 if  
19 they can save \$1,000 of their tax refund for one  
20 year. The credit union also partners with OFE in  
21 offering the Safe Start accounts and Opportunity  
22 New York City accounts. We also work with the  
23 Department of Homeless Services offering savings  
24 accounts for participants of their Work Advantage  
25 program, people who are getting out of

1  
2 homelessness and into a stable living situation.

3 As you can see, we are working for  
4 the community interests. We are the City's  
5 partner in every respect.

6 Given that deposits in credit  
7 unions are federally insured, just like deposits  
8 in banks, given our strong connection to the  
9 communities we serve and given our willingness to  
10 partner with New York City initiatives that  
11 further our common goals of encouraging economic  
12 development for working class New Yorkers, it is  
13 logical and appropriate that City agencies be  
14 permitted to house deposits in credit unions like  
15 ours.

16 Moreover, it would be a great  
17 contribution for municipal deposits to be placed  
18 in credit unions. As Linda said, deposits with us  
19 become loans in the community almost overnight.  
20 We can't meet the demand. And, you know, we're  
21 ready to lend. We're running out of funds to  
22 lend, actually. As soon as it comes in, we lend  
23 them out. We have never received any TARP  
24 bailouts. We don't offer big bonuses at the end  
25 of the year. You know, we're just a different



1  
2 animal.

3 So, we thank you. And, I urge you  
4 to, you know, to approve Resolution 17 for our  
5 communities and for the credit unions that serve  
6 them.

7 CHAIRPERSON VANN: Thank you. I  
8 noticed that check cashing establishments are  
9 thriving.

10 ALLISON LYNCH: Yes.

11 CHAIRPERSON VANN: Doing  
12 exceptionally well. Best eye, you know, best eyes  
13 of the City.

14 ALLISON LYNCH: Yep.

15 CHAIRPERSON VANN: And, yet, we  
16 have credit union, which it would seem like you  
17 would meet that need and they would save money.  
18 Am I correct in that?

19 ALLISON LYNCH: Yes. We--

20 CHAIRPERSON VANN: [Crosstalk].

21 ALLISON LYNCH: I don't know if  
22 they're maintaining their presence. We have had  
23 our branch on Myrtle Avenue at Nostrand [phonetic]  
24 for about a year and a half now in order to  
25 directly target the NYCHA residents and help to

1  
2 get them integrated into banking. There are still  
3 a lot of reasons why people don't, you know, want  
4 to put their money in a bank. Some of them are  
5 hiding it for some certain reasons and they  
6 probably will be using check cashers. But,  
7 there's a lot of habit and there's a lot of  
8 certain convenience of instant cash that they  
9 offer.

10 We try not to look at check cashers  
11 as competitors, but, you know, alternative service  
12 providers. We ultimately want people to be coming  
13 to us. But, there's a certain cultural gap.  
14 There's an educational gap. There is, you know,  
15 getting [background noise] into the community,  
16 which we want to do more and more. With the  
17 support of the City to grow, you know, we hope to  
18 making inroads in that area.

19 CHAIRPERSON VANN: Yeah. I guess  
20 my point is that it would be advantageous for more  
21 community people to have a banking relationship as  
22 a - - . So, I'm saying perhaps you need to be  
23 more aggressive in your marketing and outreach  
24 [crosstalk]--

25 ALLISON LYNCH: [Interposing] Thank

1  
2 you. We're just working on that. And, our, you  
3 know, our basic account that offers a \$5 minimum  
4 balance is accessible to anybody. And so, we have  
5 the products. And, that is really our, you know,  
6 our next talent is to increase the uptake. We're  
7 working, for example, with Bed-Stuy Restoration  
8 Corporation. And, you know, we've really been  
9 operating for about a year in the community. So,  
10 we look forward to being your partner in that.

11 CHAIRPERSON VANN: Right. I'll  
12 bring about that relationship, yeah. Okay. Thank  
13 you.

14 ALLISON LYNCH: Thank you.

15 CHAIRPERSON VANN: You've been  
16 very, very helpful. We appreciate it, Miss Lynch.  
17 And, our final person to give testimony is  
18 Deyanira Del Rio. Well, I got the Del Rio. Now,  
19 you can correct me-- your first name is?

20 DEYANIRA DEL RIO: Deyanira.

21 CHAIRPERSON VANN: Deyanira, okay,  
22 Deyanira Delrio. And, she's from the National  
23 Federation of Community Development Credit Unions,  
24 correct?

25 DEYANIRA DEL RIO: Yes. That is

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

who I'm representing today.

CHAIRPERSON VANN: That's who  
you're representing.

DEYANIRA DEL RIO: Yes.

CHAIRPERSON VANN: Okay.

DEYANIRA DEL RIO: Good afternoon.

Thanks for the opportunity to speak in support of  
Resolution 17. I'm a member of the Board of  
Directors, the Executive Committee of the National  
Federation of Community Development Credit Unions.  
The Federation is a 501(c)(3) organization that  
represents more than 225 Community Development  
credit unions across the country, of which 27 are  
based here in New York City and include Lower East  
Side Peoples and the Brooklyn Cooperative Federal  
Credit Union, who you've heard from today.

So, just to tell you a little bit  
about our members. I know that earlier there were  
questions about the different types of credit  
unions and so forth. Our membership is primarily  
those credit unions that are focused on serving  
low income, immigrant and other underserved  
communities around the country. So, the vast  
majority of those credit unions are not the, you

1  
2 know, the large employee-based credit unions, the  
3 Kodak Credit Union or the Municipal Credit Union  
4 and so forth. They're the smaller generally  
5 community-based, sometimes faith-based, credit  
6 unions that are designated by the NCUA, by the  
7 National Credit Union Administration, as low  
8 income. And, they're also many of them certified  
9 by the Federal CDFI Fund, as Community Development  
10 Financial Institutions. So, they're vetted as  
11 institutions that are really primarily focused on  
12 responsibly serving low-income neighborhoods and  
13 communities of color. And, that's our mission is  
14 to strengthen those institutions.

15           The Federation also has  
16 approximately 50 Community Development partners,  
17 which are larger credit unions that want to  
18 support the mission of the Federation and its  
19 smaller members. And, they, you know, sort of  
20 join us as these partner groups to bolster the  
21 work of the smaller, low-income credit unions  
22 around the country.

23           So, I just wanted to talk to you a  
24 little bit about some of the Community Development  
25 credit unions here in New York. You've heard from

1  
2 some of them. But, I wanted to also give you some  
3 figures in terms of their impact in the City and,  
4 how their impact could actually be greatly  
5 bolstered by their ability to take more deposits,  
6 including municipal deposits.

7 So, there're about 27 Community  
8 Development credit unions in the City. They have  
9 a total of approximately 41,000 members. And,  
10 again, these are almost exclusively low-income  
11 individuals. They also serve businesses,  
12 nonprofit organizations and others in the  
13 communities in which they're based. They  
14 collectively have about 80 million in assets. So,  
15 there are some credit unions that are relatively  
16 large in the Community Development credit union  
17 sphere, which, in our world, would be about, you  
18 know, 20, 30 million. But, there are many others  
19 that are much smaller. And, \$46 million in loans  
20 are currently outstanding at these credit unions  
21 collectively.

22 And, to give you a sense of where  
23 they're located, there are, you know, you heard  
24 from two of the credit unions that are based in  
25 neighborhoods like Lower East Side, Central

1  
2 Harlem, Bushwick and Bedford Stuyvesant, East  
3 Harlem, Washington Heights and the South Bronx.  
4 These are where most of the credit unions we serve  
5 are based. And, if you mapped out where the bank  
6 branches are located, you'd find that those are  
7 where they are not located. These are  
8 specifically credit union institutions that are  
9 started to fill the gap that were left by  
10 mainstream banks and that were so effectively  
11 filled by check chasers and pawn shops and other  
12 high-cost service providers, which, without these  
13 credit unions, would be their only source for  
14 cashing checks, getting access to short term loans  
15 and so forth.

16 So, the credit unions, unlike the  
17 banks, who, you know, will laugh someone out of  
18 their branches who comes in looking for a \$500  
19 loan, can go into a credit union and get this for  
20 low interest rates. Credit unions are forbidden  
21 from charging more than 18% interest rate, by  
22 federal law. So, there's no way that someone's  
23 going to end up with one of these payday loans  
24 with a credit card at 35% interest rate, going  
25 into a credit union.

1  
2           So, in our view, obviously, we  
3 think that Community Development credit unions,  
4 they play a really strong and critical role in  
5 meeting, not only the financial services and  
6 credit needs of low-income New Yorkers, but of all  
7 of these institutions, businesses, community  
8 development organizations and others that are  
9 really vital to creating healthy, thriving  
10 neighborhoods. Despite the overall tightening of  
11 credit right now, which you've heard others talk  
12 about, credit unions are actually growing their  
13 business lending and other portfolios.

14           But, as you've also heard, and I  
15 just want to underscore how critical this is,  
16 credit unions are-- they depend on-- their ability  
17 to lend depends on their ability to raise the  
18 money to loan out. And, because we're serving  
19 primarily low-income membership, memberships, our  
20 members, alone, who are low income, Public  
21 Assistance recipients, seniors living on fixed  
22 incomes, their deposits in our institutions are  
23 not enough to enable us to meet the credit needs,  
24 to make the businesses, the small business loans,  
25 the housing loans, and so forth. So, we really



1  
2 depend on nonmember deposits and other ways of  
3 generating the liquidity that we need to make  
4 these loans.

5                   Now, if we can't, our institutions  
6 can't fund the loans ourselves, and, we're, you  
7 know, we have to borrow, take out credit lines and  
8 so forth. So, having access to municipal deposits  
9 would be so critical to allowing our institutions,  
10 which are doing the lending, are doing it safely,  
11 have low default rates, and are serving these  
12 communities that have been hardest hit right now  
13 by the economic situation, you know, we really I  
14 think could make the most effective and rapid use  
15 of municipal deposits.

16                   Let's see, what else? So, I  
17 submitted some testimony and, also some charts  
18 that outline the kind of the lending and so forth  
19 that's been done right now by credit unions. I  
20 just want to also underscore, rather than read my  
21 testimony verbatim, but just point out another,  
22 you know, a couple of other services that credit  
23 unions provide. And, some of the services we  
24 don't provide, which I think highlight how  
25 critical it is to having City and State

1  
2 governments and others bolster these institutions  
3 and work with them more than they currently do.

4           You've heard that we've been locked  
5 out from the Banking Development District  
6 programs; locked out of municipal deposits. And,  
7 I think, right now, with the current crisis and  
8 what's happened in the banking world, that it just  
9 increasingly doesn't make a lot of sense for  
10 governments, including, you know, the City of New  
11 York, which has all these initiatives that are to  
12 encourage people to get banked, to encourage  
13 financial literacy and asset building, to be  
14 blocking and not supporting more directly the very  
15 institutions whose mission is to do that. It's  
16 not like banks that to meet a Community  
17 Reinvestment Act requirement, you know, or having  
18 a few programs or to qualify for Banking  
19 Development Districts, opening up a branch. These  
20 are institutions that are owned and controlled,  
21 they're cooperatives, right, owned and controlled  
22 by their members in these low-income  
23 neighborhoods. And, there's so much demand right  
24 now. It's such a pivotal moment, where there's so  
25 much opportunity for these institutions to do

1  
2 more, to become better known, to serve people more  
3 than they ever have. But, we're hitting a wall  
4 because we don't have enough funds to loan out,  
5 among other issues. So, it's kind of an ironic  
6 and difficult situation that we're in and getting  
7 access to municipal deposits and other lower cost  
8 funds would really, right now, have greater impact  
9 than ever. I just can't state that enough.

10 The other thing I wanted to mention  
11 is that there's a lot of talk about banking, you  
12 know, banking the unbanked population. And, you  
13 know, our credit unions, as you've heard, are  
14 serving people who are blocked out of banks and,  
15 largely, because of past problems that they may  
16 have had with bank accounts. I think there's this  
17 myth that people in certain neighborhoods or of  
18 certain ethnic groups or certain immigrant  
19 populations, they don't want banks. They don't  
20 want to use credit unions. And, the reality that  
21 we find continuously is that people want access to  
22 the same services and the same-- they want the  
23 same access to services and respectful customer  
24 service when they go into institutions. And,  
25 what's happening, the reasons that they're being

1  
2 turned away from banks are either because  
3 financially they can't afford to maintain the  
4 minimum balances that banks require to avoid fees  
5 or they're hit by these hidden courtesy automatic  
6 overdraft fees that our institutions don't charge.

7           And, once they couldn't pay those  
8 fees, the bank closed their account, reported them  
9 to these check systems, which is like a black list  
10 for bank accounts, and they are effectively now  
11 blocked out of the banking system. So many credit  
12 union members have had this experience of being  
13 effectively unbanked by the banks and coming to  
14 our institutions that I think I just want to  
15 emphasize that, that we sort of, unlike other  
16 banks, will open accounts for people who have had  
17 problems in the past. We will make loans to  
18 people who have credit problems.

19           That's going to become more  
20 critical than ever when you look at what's  
21 happening with people's credit card debts, their  
22 mortgage defaults and foreclosures, that, you  
23 know, right now, the number of people dealing with  
24 credit problems and needing access to credit  
25 union-type services, because they're going to be

1  
2 turned away from other lenders and banks, is going  
3 to be greater than ever.

4 Our institutions also offer other  
5 services. You've heard about the free tax  
6 preparation. The earned income tax credit  
7 assistance to make sure people get their credits  
8 that they're owed. We also, I'm on the Board of  
9 the Lower East Side People's Credit Union, and, we  
10 have there, at a really interesting foreclosure  
11 prevention program, a loan fund, where we've  
12 partnered with foreclosure prevention counselors  
13 and legal services attorneys throughout the City  
14 to help provide very low cost financing to help  
15 homeowners avert foreclosure. And, we've helped  
16 more than a 100 New Yorkers stay in their home as  
17 a result of that and just a first pilot year.

18 So, these are just a few examples.  
19 Every credit union has its own stories and its own  
20 real unique programs to meet their local needs.  
21 And, I encourage you to pass this Resolution.  
22 And, we look forward to providing any information  
23 or support that we can to help move that along.  
24 Thanks.

25 CHAIRPERSON VANN: The question is,

1  
2 you mentioned a foreclosure fund, loan fund, who  
3 you partnered with, counsel and so forth, is that  
4 a EDAP?

5 DEYANIRA DEL RIO: Yes. It's a  
6 partnership between the Lower East Side People's  
7 Federal Credit Union and EDAP.

8 CHAIRPERSON VANN: Okay. Thank  
9 you. This has been excellent. We appreciate--  
10 sure, Councilwoman Foster.

11 COUNCIL MEMBER FOSTER: Thank you.  
12 What type of, and this goes back to your question  
13 about the check cashing, what type of outreach is  
14 done within the community? Because I would think  
15 that with the check cashing places, you're  
16 overcoming certain, you know, the black list with  
17 the checks--

18 DEYANIRA DEL RIO: Um, hm.

19 COUNCIL MEMBER FOSTER: -- people  
20 that are just wary about banks; those that just  
21 don't know. Like, you have generations of people  
22 using--

23 DEYANIRA DEL RIO: Yeah.

24 COUNCIL MEMBER FOSTER: -- check  
25 cashing. So, do you or do you know of work with

1  
2 CBOs or churches to get the information out so  
3 that we can get more of our people banking that  
4 way, as opposed--

5 DEYANIRA DEL RIO: Um, hm.

6 COUNCIL MEMBER FOSTER: -- to the  
7 check cashing?

8 DEYANIRA DEL RIO: Yes. I think  
9 almost all of the credit unions that I know of in  
10 New York City have really strong established  
11 partnerships with community-based organizations  
12 and others that work with individuals who tend to  
13 use check cashers and other services or, who may  
14 have had these problems with banks. I think  
15 there's a couple of things. You know, one is  
16 education, like you're saying, just helping people  
17 understand they have the right to open a bank  
18 account. And, it has nothing to do with, you  
19 know, with how much money they make and so forth.  
20 And, even if they've had problems in the past,  
21 there are credit unions that will open accounts  
22 for them.

23 So, I think overcoming some of  
24 those myths, letting people know, you know, in  
25 immigrant communities, where many of our credit

1  
2 unions work, that you don't need a Social Security  
3 number to open accounts. People may have had  
4 experiences of walking into a bank and being asked  
5 about their immigration status. People with  
6 public benefits can open accounts and save up to a  
7 certain amount of money without jeopardizing their  
8 benefits. I think people have concerns about  
9 that, which are very real problems in our Public  
10 Benefits laws, where if you save too much, it can  
11 actually jeopardize your benefits.

12 And, related to the credit crisis  
13 we have, a lot of people who have had bank  
14 accounts in the past, have run into credit  
15 problems and had debt collectors get judgments  
16 against them in Court and seize their wages and  
17 their bank accounts. That's another major  
18 problem. New York State, last year, passed a new  
19 law that protects people's income from improper  
20 seizure by debt collection. And so, that's one  
21 way that some of these hurdles are being overcome.

22 And then, on a more local level, to  
23 go back to your question, I think our credit  
24 unions, you know, we are trying to find more ways  
25 to get the word out, to encourage people to



1 understand the difference between a credit union  
2 and to know that if they walked into a bank and  
3 had one kind of experience, had an account and got  
4 hit with these hidden overdraft fees that ended up  
5 hundreds of dollars at the end of the month, that  
6 that's not going to happen at our institution.  
7 So, a lot of our challenges are based on trying to  
8 undo the damage done by people's past experiences  
9 with banks and others.

11 COUNCIL MEMBER FOSTER: Thank you.

12 DEYANIRA DEL RIO: Um, hm.

13 CHAIRPERSON VANN: It occurred to  
14 me, and I remember when I was in elementary  
15 school, and I can remember that far back, but they  
16 had this program where we used to save our  
17 pennies--

18 DEYANIRA DEL RIO: Right.

19 CHAIRPERSON VANN: -- and establish  
20 little savings accounts back in fourth, fifth,  
21 sixth grade.

22 DEYANIRA DEL RIO: Um, hm.

23 CHAIRPERSON VANN: It would seem  
24 that'd be an excellent place to start. If there  
25 could be a relationship with the public schools in

1  
2 the district to start that habit of saving and so  
3 on and so forth.

4 DEYANIRA DEL RIO: Right.

5 CHAIRPERSON VANN: Is it something  
6 you contemplated?

7 DEYANIRA DEL RIO: Yeah, a lot of  
8 our member credit unions have had school banking  
9 programs in the past to do that, kind of go back  
10 to that, you know, old school way of teaching some  
11 basic financial skills, 'cause, right now, there's  
12 nothing in any, you know, through high school,  
13 college, forget about it. Like, there's no real  
14 education about this being done in the schools.  
15 So, I think that it's happened in a local, like  
16 sort of neighborhood by neighborhood, school by  
17 school. But, it would be fantastic to figure out  
18 ways to formalize that with the school system more  
19 broadly.

20 CHAIRPERSON VANN: It's a good  
21 idea. It's an excellent idea. Maybe something to  
22 promote that. There being no further questions,  
23 I'd like to thank you and the others--

24 DEYANIRA DEL RIO: Thank you.

25 CHAIRPERSON VANN: -- for your

1  
2 testimony. I thought it was a very, very good  
3 hearing, very educational, very helpful. And,  
4 notwithstanding the issues that were raised by the  
5 Banking, Banking, who are they?

6 MALE VOICE: An Association.

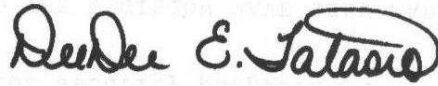
7 CHAIRPERSON VANN: Banking  
8 Association, they raised some pretty good issues.  
9 I do think it's a revolution that ought to go  
10 forward. But, of course, that will be-- the  
11 members will make that decision. However, we will  
12 give an opportunity for the Council to make that  
13 decision, 'cause we'll bring it to a vote probably  
14 at the next meeting. Again, thank you very much.  
15 And, have a good evening, everyone.

16  
17  
18  
19  
20  
21  
22

C E R T I F I C A T E

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

Signature

A handwritten signature in cursive script that reads "DeeDee E. Tataseo". The signature is written in black ink and is positioned above a horizontal line.Date March 5, 2010