THE STATE OF BANK REINVESTMENT IN NEW YORK CITY:

2017

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

Association for Neighborhood & Housing Development

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Founded in 1974, the Association for Neighborhood & Housing Development (ANHD) has grown into a consortium of 101 non-profit housing and equitable economic development organizations serving low- and moderate-income New Yorkers. ANHD is dedicated to policy research, advocacy, strategic communications, and leadership development to support these members and to ensure flourishing neighborhoods and decent, affordable housing for all New Yorkers. To date, ANHD and its members have built over 100,000 units of housing and, in the past decade alone, leveraged over $1.3 billion for affordable housing while launching innovative policies for community development in New York City.

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Association for Neighborhood & Housing Development

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EXECUTIVE SUMMARY

The Association for Neighborhood & Housing Development (ANHD) produces this report, "The State of Bank Reinvestment in New York City," each year to help communities, banks, legislators and bank regulators and allies understand the impact of the Community Reinvestment Act (CRA) at a local level. Under the CRA, banks have a continuing and affirmative obligation to safely and responsibly help meet the credit needs of the lower-income people in the neighborhoods in which they do business. Thus, if a bank takes deposits or does business in a neighborhood, it must provide all of its services equitably. They must also contribute to community development efforts that benefit the same populations.

This year's report comes at an especially important moment in history – this is the 40-year anniversary of the CRA's passing, and the 10-year anniversary of the 2008 financial crisis, which was a direct result of irresponsible behavior by financial institutions that targeted and misled poor and minority communities with expensive and unsustainable loans. Congress was forced to bail out large banks in order to stabilize our financial system, and then enacted more systemic protections through the Dodd–Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The Dodd-Frank Act also put in place systems to protect consumers, including the creation of the Consumer Financial Protection Bureau (CFPB), requirements for safer residential mortgages, separation of investment and banking, and capital requirements to ensure banks are better able to absorb losses. Regulators had also been taking steps to better enforce the Community Reinvestment Act in recent years – downgrading banks that have been found to engage in discriminatory practices and requiring CRA plans at the time of mergers.

We strongly urge the regulators to keep the fundamental spirit of the CRA and to expand upon it, so as to increase access to credit, banking, and resources for low-income, minority, and immigrant communities.

Ideally, we would be working towards ways to expand and improve upon these advances, but we fear we may be in defense mode. Already, some of the new banking and transparency laws are being rolled back in Congress, while, at the same time, the bank regulators are pondering the biggest CRA reform we've seen since 1995. While we know there are many areas where the CRA can be updated and improved upon, we fear that the new overhaul could come at the expense of the intentional focus on low- and moderate-income communities. We strongly urge the regulators to keep the fundamental spirit of the CRA and to expand upon it, so as to increase access to credit, banking, and resources for low-income, minority, and immigrant communities.

This report analyzes the CRA activity from calendar year 2016 for 25 banks that operate in New York City, including some of the largest banks in the country. We include some additional data in the narrative to provide more recent context. There are seven sections, and each section contains four components:

Sections	Components
1) Deposits and the reinvestment quantity & quality indexes; 2) Branches and banking products; 3) Multifamily lending; 4) 1-4 family lending; 5) Community development staff, community development lending, and CRA-qualified investments; 6) Economic development and small business lending; and 7) CRA-eligible philanthropic grants.	1) **Background:** An explanation of the area being analyzed as well as context for what we are analyzing and why. 2) **Principles:** A set of overall guiding best practices and recommendations to inform how we believe banks should approach their work in this area. 3) **Trends & Findings:** Specific findings from the data ANHD collects from banks and additional sources. 4) **Recommendations:** Specific recommendations for banks and, in some cases, regulators related to the principles

SUMMARY OF TRENDS & FINDINGS

Change in Deposits and Reinvestment 2014-15, 2015-16 (billions)					
	2014	2015	2014-15	2016	2015-16
Deposits	$990	$1072	8.3%	$1224	14%
Core Consumer & Commercial Lending	$6.47	$5.10	-21%	$5.72	12%
Community Development*	$5.61	$5.76	2.8%	$7.36	28%
Overall	$12.08	$10.86	-10%	$13.09	21%

1. **Deposits and the Reinvestment Quantity & Quality Indexes: Local deposits continue to increase;** they are up 14% from 2015-16 as compared to 8.3% from 2014-15, reaching $1.2 trillion. As before, the wholesale and Manhattan deposits far outweigh the deposits in the outer boroughs. Deposits increased 12% in the outer boroughs, from $108 billion to $120 billion. Seven banks increased deposits but decreased reinvestment in New York City. Eleven banks reinvested over 5% of their local deposits, up from nine in 2014, but four banks increased deposits and decreased reinvestment dollars. Seven banks had a quality score over "3".

2. **Branches and Bank Products: Overall branches are down by 18, but only down by one in lower-income tracts. The distribution of branches remains inequitable**, with core Manhattan inundated, while lower-income neighborhoods still lack sufficient branches and ATMs. The Bronx is still the most unbanked area in the City. Three banks closed there in 2016 and one opened. Some new accounts appear more accessible to lower-income New Yorkers, but many remain out of reach. However, at six banks, including three of the largest banks, overdraft fees accounted for over 40% of the banks' service fees and at five banks, they make up over 0.30% of consumer transactional deposits ($3 per $1,000 total consumer deposits), higher when looking at only transactional deposits. While many banks accept New York City's municipal identification card, IDNYC, as secondary identification, **no bank in this study currently accepts the IDNYC as primary identification.**

3. **Multifamily Lending:** We note a sharp decline in lending among the banks in this study (down 20%), but not as sharply in lower-income neighborhoods (down 9.4%, above 2014 levels) and the multifamily market still appears strong. The number of multifamily loans qualifying for

community development went down just 1.3% and the dollars loaned went up 12%. **While signs of physical and financial distress remain low, we know from experience that not all buildings where harassment and displacement occur will appear on distressed lists.** If a landlord successfully displaces tenants, the building may never fall into distress. Rising rents and sales prices – especially in historically more affordable neighborhoods – increase the pressure on lower-income tenants, putting them at risk of displacement. Banks and non-bank lenders continue lending to known bad actor landlords. Banks should lend responsibly by not underwriting loans that fuel displacement and working closely with tenants and tenant organizers so they can proactively ensure that tenants in their buildings are protected and respected.

4. **1-4 Family Lending:** The number of **home purchase loans** among banks in this study was relatively stable from 2015-16, but still below 2013 levels. Loans declined 0.4% from 14,288 in 2015 to 14,226 in 2016. This is still well below the 16,229 in 2013. Lending to lower-income borrowers decreased 10% from 1,250 to 1,122, and that is still below the 1,398 in 2013. Collectively **the Big Four banks** (Bank of America, Chase, Citibank, and Wells Fargo) had been making about 44% of all loans to lower income borrowers, and that declined to 38% in 2016. **The rise of non-bank independent mortgage company lenders continues**, particularly in refinance loans and Federal Housing Administration (FHA) lending. These institutions are not covered by the CRA. 30% of home purchase loans and 50% of refinance loans were made by non-bank lenders. These raise to 75% of FHA home purchase loans and 96% of FHA refinance loans. **Racial disparities persist**. 22% of New Yorkers are Black and 29% Hispanic, yet on average the banks in this study made just 6.8% of home purchase loans to Blacks and 7.1% to Hispanics. This is down from 2015. Origination rates citywide among Black and Latino borrowers was flat at 60%) while denial rates went down slightly. More banks are offering portfolio products.

5. **Community Development Staff, Community Development Lending, and CRA-Qualified Investments: The amount loaned for community development increased by 28% and the volume by 17%**. CRA-qualified investment dollars decreased by 18%, while the number of investments increased 15%. Loans and investments to nonprofits and community development corporations (CDCs) also increased once again. The volume to nonprofits is substantial in some cases, but the volume of community development lending to neighborhood-based CDCs in particular remains low overall.

6. **Economic Development and Small Business Lending: Community development loans and investments that fall under the economic development category increased greatly in 2016.** The number of small business loans decreased 4% overall and remained flat in low- to moderate-income tracts; the amount loaned increased in both categories. The dollar amount of community development loans for economic development increased 35%, but investments and grants decreased (54% and 5%, respectively). As in prior years, the investments are concentrated in just a few banks, and the majority made no investments for economic development; however, 14 banks made community development loans for economic development. We continue to stress that quality matters as much as quantity. We are pleased to see banks engage with nonprofit developers and the City to use and support the City's new Industrial Developer Fund to create and maintain affordable manufacturing space.

7. **CRA-eligible Philanthropic Grants: CRA-eligible grants increased in 2016.** After a number of years of declining dollars, grants were up 3.7% by volume and 8.1% by dollar in 2016. The distribution of grant dollars remains unequal in some cases, resulting in larger grants to fewer organizations, particularly in some of the larger banks. However, we do note increases in both number and dollar amounts at six banks. Most banks continue to dedicate less than one tenth of one percent of their local deposits to grants and should seek to increase both. Grant-making to neighborhood-based organizations increased 23% by volume and 3.6% by dollar amount in 2016. At five of the largest banks and almost all of the smaller banks, over a third of grants were to neighborhood-based organizations; three of the largest banks and six of the smaller gave over a third to neighborhood-based organizations by dollar amount.

INTRODUCTION

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

This year's report comes at an especially important moment in history – this is the 40-year anniversary of the CRA's passing, and the 10-year anniversary of the 2008 financial crisis. The CRA is one of the most important laws we have to encourage banks to lend equitably and to partner with nonprofits and governments to support community development in low-income communities. ANHD estimates that since its passage, over 330,000 units of housing have been built in New York City alone, thanks in part to private loans and investments leveraged by the CRA. The 2008 financial crisis was a direct result of irresponsible behavior by financial institutions that targeted and misled poor and minority communities with expensive and unsustainable loans. Congress was forced to bail out large banks in order to stabilize our financial system, and then enacted more systemic protections through the Dodd-Frank Act. The Dodd-Frank Act also put in place systems to protect consumers, including the creation of the Consumer Financial Protection Bureau (CFPB), requirements for safer residential mortgages, separation of investment and banking, and capital requirements to ensure banks are better able to absorb losses. Regulators have also been taking steps to better enforce the CRA in recent years – downgrading banks that have been found to engage in discriminatory practices and requiring CRA plans at the time of mergers.

There have been meaningful steps forward since both of these key moments, but we must acknowledge there is more to be done to protect the communities and people that the CRA was designed to support. **Low income and minority communities still have trouble opening and maintaining basic bank accounts and accessing credit for home and small business loans, racial disparities in lending persist, and bad actor landlords too easily get access to financing which leads to displacement and poor living conditions.** The new Federal administration further adds to the need to analyze and uphold both the CRA and banking regulations put into place post-financial crisis. Rather than expanding consumer protections, the new administration is doing just the opposite.

Currently, the Administration and Congress are working to roll back, defund, and dismantle bank regulations. The U.S. Treasury Department just issued a set of recommendations to modernize and update the CRA[1]. While some of the recommendations seem positive, others do not, and the implementation details really matter. These are recommendations that can be interpreted in any number of ways. We remain cautious as we await proposals for new regulations from the federal bank regulators. Meanwhile, the new acting chair of the CFPB has said he doesn't believe the agency should even exist[2]. His first orders of business have been to halt and rollback key consumer protections, including rules related to payday lending, fair lending reviews, and transparency on small business lending. Additionally, there are multiple bills going through congress to weaken bank regulation, including one bill that, among other things, reduces the number of banks that will report expanded mortgage data under the Home Mortgage Disclosure Act (HMDA) and raises the asset-size threshold of banks five-fold for greater scrutiny. **It is in this context that we, and advocates nationwide, have been working to build upon these advancements to strengthen and expand protections.**

The CRA was passed in response to redlining and severe disinvestment. Redlining is the term used to describe government instituted racist practices in how it guaranteed loans through the Federal Housing Administration. Starting in the 1930s, people of color were denied credit in their own neighborhoods. Banks continued these trends decades later, often withdrawing from low-income and minority neighborhoods. Where banks still had a presence in low-income minority communities, they refused to make loans to people in those neighborhoods and reduced investment in urban neighborhoods. One only need to look at photos of the "burning Bronx" in the 1970s to see what disinvestment looks like and to understand that readily available, sound lending is critical to a healthy housing market and community. While signs of disinvestment and disparate practices certainly persist today, another concern is over-investment that threatens to displace lower-income tenants and leave behind lower-income New Yorkers who can no longer afford to live in the City due to rising rents and a lack of good-paying jobs.

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In response to this harmful discriminatory redlining and disinvestment, Congress passed a number of new laws to regulate banking practices and hold banks accountable. The Fair Housing Act of 1968 made discrimination in lending illegal and the Home Mortgage Disclosure Act (HMDA) of 1975 gave the community and regulators new tools to better monitor bank lending practices and enforce anti-discrimination laws. The CRA was passed in 1977 to ensure that banks provide

1 https://home.treasury.gov/sites/default/files/2018-04/4-3-18%20CRA%20memo.pdf
2 https://www.marketplace.org/2018/01/18/economy/mick-mulvaney-doesn-t-think-cfpb-needs-more-money

credit and deposit services equitably to the communities in which they do business, including low- to moderate-income communities.

Since 1977, the banking industry has undergone massive consolidation, two major collapses, and is now increasingly dominated by multi-regional, national, and international institutions. This phenomenon continues to challenge the clear premise of the CRA that banks are required to help meet the credit needs of the local communities in which they do business. Simply put, the CRA requires banks to act locally, but report regionally, which makes accurate analysis difficult. Banks are typically evaluated by CRA regulators at the metropolitan district level or the metropolitan statistical area (MSA) level and often in multiple areas. New York City is in the White Plains-NY-NJ metropolitan district (MD), which includes New York City plus an additional nine counties in New York and New Jersey. It falls within the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA, which covers 24 counties in three states. Some banks also get credit for reinvestment at the regional, state, and national level even if they have no direct impact on their assessment area. All banks get CRA credit for loans, investments, and services in their total assessment area and these are rarely broken down by year or by county. In recent years, we have been pleased to see that the FDIC and the Federal Reserve Board have been much more consistent in breaking down CRA data on exams by category and by year, but still at the assessment area level. Unfortunately, the OCC has not done the same. The OCC regulates the largest retail banks in the country, but provides just brief summaries by assessment area, with no consistent breakdown by year or by category. They also tend to release exams three or more years after the exam, making public examination of CRA data difficult.

The 2017 ANHD Bank Report: This report outlines many ways in which banks and regulators can respond to the issues New York City communities face. ANHD believes that reinvestment is most effective if the bank has a clear understanding of the local issues and needs of the community and how the bank's reinvestment activity will address them. New York City neighborhoods differ borough by borough and even block by block. Studies like this one enable us to analyze how banks operating in New York City approach their CRA obligations here. Also, CRA evaluations span multi-year periods, with less frequent exams for small banks. It is important for bank regulators, legislators, community organizations and residents to understand exactly where and how their federally-insured deposits and assets are being reinvested in their community every year. It is in this context that we publish this annual report to examine reinvestment activity in New York City.

ANHD believes that bank reinvestment-related activity – lending, investments and services directed towards low- and moderate-income residents and neighborhoods – should be substantial, and in proportion to each bank's locally-held deposit base. We compare all banks to one another broadly and to their peers as the largest retail banks ($50 billion or more in assets), smaller retail banks (fewer than $50 billion in assets) and wholesale banks. This year, Sterling Bank is new to our study following their acquisition of Astoria Bank. Moving forward, we will only examine Sterling Bank. Also, while we will continue to monitor Carver's performance, given their mission-driven focus and substantially smaller asset size than the other banks in the study, we decided to exclude them from the report. For purposes of the CRA, low-income is defined as 50% Area Median Income (AMI) and moderate-income as 80% AMI, and in most cases is based on decennial census data. The AMI was found to be $72,600 in 2016 ($71,300 in 2015; $68,900 in 2014, $66,000 in 2013). In 2016, this put low-income at $36,300 and moderate-income at $58,080. However, incomes for New York City have historically been lower than the regional AMI. And, of course, income levels vary greatly from neighborhood to neighborhood. We encourage banks to support projects that benefit lower incomes than just those defined as LMI under the CRA.

ANHD looks at the broad spectrum of reinvestment activity. We look at "core CRA lending data" for 1-4 family home purchase and refinance loans to low- and moderate-income borrowers as well as multifamily community development loans and multifamily and small business loans in low- and moderate-income census tracts. We also analyze community development reinvestment activities, which are community development loans, CRA-qualified investments and CRA-eligible grants to build and rehabilitate affordable housing, create jobs, provide services, and revitalize neighborhoods. This report analyzes year-to-year performance of these activities, as well as deposits, staffing, and branching.

Sections	Components
1) Deposits and the reinvestment quantity & quality indexes; 2) Branches and banking products; 3) Multifamily lending; 4) 1-4 family lending; 5) Community development staff, community development lending, CRA-qualified investments; 6) Economic development & small business lending; and 7) CRA-eligible philanthropic grants.	1) **Background:** An explanation of the area being analyzed as well as context for the analysis 2) **Principles:** A set of overall guiding best practices to inform how we believe banks should approach their work in this area. 3) **Trends & Findings:** Specific findings from the data ANHD collects from banks and additional sources. 4) **Recommendations:** Specific recommendations for banks and, in some cases, regulators related to the principles

As always, we stress that quality matters as much as quantity. Thus, rather than one overall ranking, we continue to use the more nuanced version of the reinvestment index to assess the banks' volume of reinvestment dollars loaned and invested and compare the quality of that lending based on factors we believe indicate a strong commitment to local communities.

The report follows the following format to present the findings and recommendations:

As always, we hope this proves a useful tool for all audiences – banks, legislators, bank regulators, community organizations, and allies – to build upon and strengthen CRA activity in New York City.

HOW SHOULD THE CRA BE MODERNIZED?

Federal regulators are planning the first major update to the CRA in over two decades. The US Treasury Department released a set of recommendations in March, which are likely to set the stage for proposed rulemaking by the federal bank regulators. ANHD's analysis of Treasury's recommendations found some parts to be good, some parts bad, and others not specific enough to know[a]. In all cases, the details matter; all of the recommendations could be implemented any number of ways, which could have a positive or detrimental effect on the CRA.

In our long experience participating in and evaluating the community development ecosystem in New York City, ANHD has seen that the CRA works. The CRA has effectively leveraged billions of dollars to be reinvested in our communities for housing, economic development, and other aspects of community development. The CRA states that banks "have a continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered." Thus, if a bank takes deposits or does business in a neighborhood, it must provide all of its services equitably and support community development activities, with a particular emphasis on low- and moderate income (LMI) people and neighborhoods.

Yet, for all of its benefits, advocates in New York City and nationwide have long acknowledged that the CRA needs changes, both to address long-standing omissions, and also to catch up to the modern banking world. ANHD makes these high-level recommendations, all of which are expanded upon throughout this report. We will also provide more detailed comments when the proposed rules are published.

- **Race:** The CRA was a result of overt redlining and discrimination and should never have been color-blind. Banks should have an affirmative obligation to serve people of color and communities of color.

- **Assessment Areas:** CRA assessment areas should be expanded to where banks take deposits and do business. The CRA must also maintain the placed-based commitment banks have to local communities.

- **Branches and Banking:** Banking deserts and unbanked populations persist, often leading people to higher cost financial services providers. We understand the banking world has changed, with more being done outside of branches, but **branches still matter**. The CRA must result in new banks and also affordable, responsible products and services that bring underserved populations into the banking system.

- **CRA Plans:** Regulators should require public forward-looking CRA plans at the time of mergers and acquisitions and encourage similar plans for banks at all times.

- **Ratings and Exams:** Exams must be more rigorous; it is absurd that 98% of banks pass their CRA exams. Greater clarity and consistency is needed, with clear metrics and benchmarks, while also evaluating how the activities meet the needs expressed by local communities. **Public input is critical** in understanding these needs and evaluating how banks are performing. **Examiners should be able to downgrade a bank when their practices are found to harm the populations they serve.** This includes discrimination and violations of consumer protection law, and also other activities that lead to harassment and displacement of tenants, homeowners, or small businesses. Fundamentally, impact matters; the CRA should place the greatest emphasis on activities that lead to deeply, permanently affordable housing; quality jobs; and greater financial opportunities and mobility for underserved populations.

- **Exam Releases and Data:** Exams should be released in a timelier manner. Regulators should also **publicly release CRA data annually** at the local level. Currently, bank assessment areas, and associated public data, encompass multiple counties and often multiple states. We also need **more detailed small business data** as required in section 1071 of the Dodd Frank act.

- **Affiliates and Nonbank Lenders:** Banks should be required to report affiliate data on their CRA exams. Nonbank lenders and FinTech companies should have a CRA requirement as well. Banks should be evaluated at the holding company level. Limited purpose banks (e.g.: standalone credit card banks) should be evaluated on the products they provide, and not just their community development activities.

(a) https://anhd.org/the-cra-modernization-recommendations-by-treasury-department-are-good-bad-and-yet-to-be-seen/

DEPOSITS, & REINVESTMENT QUANTITY INDEX & QUALITY SCORE

BACKGROUND

The basic principle of the CRA is that if a bank takes deposits or does business in a neighborhood, it must provide all of its services equitably. This comes with a continuing and affirmative obligation to help meet the credit needs of low- and moderate-income people and neighborhoods in particular. The CRA is one of the most effective tools we have to bring banks to the table to invest in low- and moderate-income communities through loans, investments, and services.

CRA regulators use a combination of deposits, assets, and Tier 1 Capital to estimate their expectation for the volume of a bank's CRA activities. While this may be the best indicator for determining the entire bank's commitment, recognizing that not all reinvestment activity comes directly out of deposits, ANHD believes that a bank's local deposit base is a better method for determining reasonable levels of reinvestment for individual assessment areas like New York City. For this reason, ANHD's benchmarks for lending and investments are tied to the banks' local deposits in New York City. In order to match yearly reporting to the FDIC, we use deposits as of June 30th of each year. Still, it must be noted that due to both the fluctuation of deposits and the changing nature of banking and the business of banks, this is an imperfect system, especially when it comes to some of the largest banks.

Citibank and New York Community Bank increased deposits dramatically, for example, but did not open new branches. As we have noted in prior years, Wells Fargo is the third largest deposit holder in the nation, yet still has a relatively low local deposit base because of its small branch presence – only 21 branches versus closer to 150 or more for other large banks. However, they remain a major player in the home lending market, making 15% of all home loans in 2016 (down from 25% in 2012, but still a large percentage, representing over 4,300 loans). By our measure, it has a smaller obligation than any of the other "Big Four" banks that have larger branch networks and deposit bases. Chase is at the other end of the spectrum, with the largest local deposit base by far, and thus the largest obligation; while this may be a little misleading, given the huge volume of business deposits held in New York City that come from outside the City, other banks, too, book out-of-town business deposits in the City.

Given the lack of other local data – such as Tier 1 capital or the amount of business done specifically in New York City – we believe our method is overall the most straightforward and objective system. This system also serves to hold accountable all banks with a presence in our city, even if it is not one of their main assessment areas. We treat wholesale banks differently because they do not have a traditional branch and deposit structure like the retail banks and thus we use their national deposits for the benchmark.

The quality of this reinvestment matters just as much as quantity, and this report goes to great lengths to measure both. Rather than create one overall ranking, we developed a **QUANTITY Index** to assess the banks' volume of reinvestment dollars loaned and invested, and a **QUALITY Score** to compare the quality of that lending based on factors we believe indicate a strong commitment to local communities.

QUANTITY Index & QUALITY Score EXPLAINED

Rather than assigning one ranking to each bank, ANHD has developed a more nuanced tool to measure and compare the volume and quality of bank reinvestment. An overall reinvestment volume index measures the full range of reinvestment lending and investments by volume as compared to locally held deposits. This system gives us a way to evaluate who is leading in volume of reinvestment and who is leading in how their loans, investments, and services meet the needs of lower-income residents and communities. The overall reinvestment quality score evaluates how the banks' loans, investments, and services compare to one another on a range of factors that have an impact beyond the dollar amount. We also incorporate Branch distribution and staff in the scores. We separate activities broadly into two categories: *1) community development reinvestment*, and *2) core consumer and commercial lending reinvestment*.

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

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

Community development loans and investments typically take longer to put together, require more specialized staff and intentionality, and must be made with an explicit community development purpose, such as building and rehabilitating affordable housing, creating jobs, and providing community facilities. Banks are expected to do a certain volume of these loans and investments and ANHD believes banks should demonstrate both quantity and quality here.

Core Consumer and Commercial Lending Reinvestment is just as important as community development loans and investments, but typically relates more to a bank's main business and should be analyzed for volume, quality, and fair lending. This area includes:

- 1-4 family home purchase and refinance loans to low- and moderate-income borrowers.
- Multifamily mortgage loans in low- and moderate-income census tracts.
- Multifamily mortgage loans that get community development credit (this dollar amount is used in core consumer and commercial lending reinvestment volume index).

- Small business loans (loans below $1 million to businesses with revenues below $1 million) in low- and moderate-income census tracts.

It is key to note that not all banks make multifamily, 1-4 family, and small business loans, but within any loans they do originate, they must lend equitably and responsibly to lower-income borrowers and neighborhoods. For example, a bank that originates 1-4 family mortgages should lend at sufficient volumes and also have dedicated staff and affordable products that give lower-income borrowers the best chance of successful homeownership through pre-purchase counseling and financial assistance. Likewise, banks that originate multifamily loans should ensure that the loans are responsibly underwritten and made to landlords that will preserve affordability, maintain the properties, and respect the rights of the tenants. ANHD believes that multifamily loans submitted for community development credit are a better indication of how well banks are, or should be, paying attention to these factors. They are also more likely to receive greater scrutiny under the CRA as to how well they are meeting the needs of lower-income people or neighborhoods, and thus we use those loans in the volume index. For the quality score analysis, we excluded banks that made fewer than 10 loans in any core lending category.

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

OVERALL QUANTITY INDEX (SUM OF THESE TWO INDEXES)

Community Development Quantity Index Community development lending, CRA-qualified investments, and CRA-eligible grants ÷ Local deposits	**+**	**Core Consumer and Commercial Quantity Index** Home purchase and refinance loans to low- and moderate-income (LMI) individuals borrowers, small business loans in LMI tracts & multifamily community development loans ÷ Local deposits

Overall QUALITY Score: Banks are evaluated based on their performance relative to one another on a variety of factors that indicate the investment is likely to have a larger impact than simply the dollar amount. This also enables us to compare service and responsiveness to lower-income communities where there is not a dollar amount associated with it. For example, loans and investments to nonprofits in general, and to community development corporations (CDCs) in particular, are typically more impactful. CDCs are locally controlled nonprofits committed to providing permanent affordable housing with deep affordability and ancillary services that go beyond housing to strengthen and empower families and communities. CRA-eligible grants are the only investment for which banks do not get a return on investment and, because they are so much smaller than other loans and investments, they do not carry much weight in the reinvestment volume index. For that reason, we include percentage of deposits to grants in the quality score. No other quality factor compares volume. For each factor, we assign points based on the median value of all banks within their respective classification – larger, smaller, and wholesale. Banks with values of the median +/- 20% get a score of "3", banks below that range get a "1" and banks above it get a "5". A bank gets "0" if they did not provide information that is not publicly available. Wholesale banks do not receive scores related to branching or core lending. Points are averaged together to get three individual quality scores, which are then averaged together to calculate the overall reinvestment quality score.

OVERALL QUALITY SCORE (AVERAGE OF THESE THREE INDIVIDUAL SCORES)

Community Development Score	Core Consumer & Commercial Lending Score (scored where banks made 10 or more loans)	Service /Responsiveness Score
• % Community development loans for affordable housing • % Community development loans to nonprofits & % to CDCs • % CRA-qualified investments to nonprofits • % CRA-eligible grants to deposits • % CRA-eligible grants to neighborhood-based organizations • Community responsiveness /innovation score for retail banks	• % Home purchase & % refinance loans to LMI borrowers • % Multifamily and % small business loans in LMI tracts • % Multifamily community development loans	• % Branches in low-income and % in LMI census tracts • % Staffing in New York City • Access to Banking score • Community responsiveness / innovation for wholesale banks
*For each factor, if a bank's performance is within +/- 20% of the median value, the bank gets **3 points**. **5 points** If they perform above that range and **1 point** below that. 0 points if no answer. Points are averaged to get the score in each category.*		

PRINCIPLES

- As bank deposits increase in New York City, their reinvestment dollars should increase as well. **The volume of loans, investments, and grants across the spectrum of activities is a significant indication of a bank's commitment to the CRA.** ANHD believes that bank reinvestment-related activity – lending, investments, and services directed towards low- and moderate-income residents and neighborhoods – should be substantial and in proportion to each bank's locally-held deposit base. This also means having the infrastructure and staff to support quality reinvestment.

- **The quality of reinvestment is just as important as the quantity.**

  Banks must ensure that their dollars reinvested for loans, investments, and services are intentional in truly helping meet the credit needs of lower-income, minority, and immigrant New Yorkers. This report compares banks to one another. Banks should also be working to raise the bar so that their activities each year are having the most impact possible.

TRENDS & FINDINGS

- **Local New York City Deposits increased 14% in 2016 overall, and 12% outside of Manhattan. Seven banks increased deposits and decreased reinvestment dollars.**

TABLE 1: DEPOSITS IN ALL FIVE BOROUGHS (b)												
	2013		2014		2015		2013-15		2016		2015-16	
	National Deposits (BHC)	NYC Deposits	National Deposits (BHC)	NYC Deposits	National Deposits (BHC)	NYC	National Deposits (BHC)	NYC	National Deposits (BHC)	NYC	% change National	% change NYC
Largest Retail	$4156	$602	$4447	$666	$4585	$718	10%	19%	$4870	$828	6.2%	15%
Smaller Retail	$127	$41	$138	$45	$155	$52	22%	27%	$171	$62	10%	18%
Total Retail Banks	$4284	$643	$4585	$711	$4740	$770	11%	20%	$5041	$890	6.3%	16%
Wholesale	$309	$228	$388	$279	$431	$302	40%	32%	$469	$333	9.0%	10%
Total	$4592	$872	$4974	$990	$5171	$1072	13%	23%	$5511	$1223	6.6%	14%

TABLE 2: OUTER BOROUGHS ONLY (21 RETAIL BANKS): BRONX, BROOKLYN, QUEENS, AND STATEN ISLAND (b)						
	2013	2014	2015	2013-15	2016	% change 2015-16
Largest Banks	$74.22	$76.94	$83.38	12%	$90.11	8.1%
Smaller Banks	$22.53	$23.11	$24.14	7.2%	$29.78	23%
Total	$96.75	$100	$108	11%	$120	12%

Deposits among the major New York City banks continued to increase. Among the 25 banks in our study, deposits went up 14% from $1.07 trillion in 2015 to $1.22 trillion in 2016. We treat wholesale banks differently because they do not have a traditional branch and deposit structure like the retail banks. We use their national deposits for the benchmark. In order to match annual reporting to the FDIC, we use deposits as of June 30th of each year. Among the retail banks only, the increase was about the same – up 16% from $770 billion to $890 billion. Both metrics are double the increase nationwide.

Seven of the nine largest retail banks with assets over $50 billion continued to increase their locally held deposits. In 2016, Citibank's locally held deposits increased 48%, followed by HSBC (up 34%) and M&T (up 26%). M&T's increase was due to the completion of the merger with Hudson City. TD Bank and Bank of America continue to open branches, and their deposits appear to be increasing accordingly. Despite closing branches, Capital One's deposits were fairly steady, down less than 1% after increases most years prior. Collectively, the smaller banks' deposits also increased greatly in 2015. Three banks decreased deposits. Emigrant was down 5%. Astoria's deposits declined slightly, down 0.1%, while Sterling (new to our study), declined much more by

27%, likely due to a number of branch closures. Sterling acquired Astoria in 2017 and collectively their deposits were down 8%, from $4.8 billion to $4.5 billion.

The largest increases in deposits at the smaller banks were at New York Community Bank (up 59%), Dime (up 31%) and Signature Bank (up 25%). Unlike NY Community Bank and Signature Bank, which rely more upon commercial deposits, Dime's increases may reflect their effort to diversify their portfolio, as they entered the small business market and solicited deposits.

It also helps to look at trends outside of Manhattan as those are much more likely to be truly local deposits. Out-of-state business deposits would likely be booked in Manhattan. For example, as HSBC closes offices nationwide, they continue to book more deposits in New York City, thus driving the increase in Manhattan. Their deposits increased by 50% citywide from 2013 to

TABLE 3: NEW YORK CITY DEPOSITS IN AND OUTSIDE OF MANHATTAN 2013-16 ($ BILLIONS)

All New York City Deposits							Outer boroughs					
	2013	2015	2013-15	2016	2015-16	Reinvestment Quantity ($) Change 2015-16		2013	2015	2013-15	2016	2015-16
Largest												
Bank of America	$47.54	$63.96	35%	$65.49	2.4%	↑	Bank of America	$2.85	$3.82	34%	$4.44	16%
Capital One	$22.86	$26.91	18%	$26.79	-0.45%	↑	Capital One	$9.06	$10.81	19%	$9.55	-12%
Chase	$377	$437	16%	$489	12%	↑	Chase	$26.75	$31.47	18%	$34.83	10.7%
Citibank	$56.24	$61.75	9.8%	$91.40	48%	↑	Citibank	$15.27	$16.44	7.7%	$17.55	6.74%
HSBC	$53.28	$80.04	50%	$107	34%	↓	HSBC	$7.15	$5.21	-27%	$5.03	-3.5%
M&T	$2.67	$3.28	23%	$4.15	26%	↑	M&T	$0.33	$0.36	9.5%	$0.89	148%
Santander	$8.13	$10.06	24%	$11.91	18%	↑	Santander	$6.87	$7.63	11%	$9.15	20%
TD Bank	$13.28	$16.79	26%	$18.84	12%	↓	TD Bank	$5.86	$7.55	29%	$8.58	13.7%
Wells Fargo	$13.26	$18.36	38%	$15.47	-16%	↓	Wells Fargo	$0.09	$0.10	4.5%	$0.10	2.9%
Smaller												
Apple	$6.76	$6.87	1.6%	$7.22	5.1%	↓	Apple	$3.53	$3.51	-0.7%	$3.65	4.11%
Astoria	$3.68	$3.46	-5.8%	$3.46	-0.12%	↓	Astoria	$3.68	$3.40	-7.5%	$3.38	-0.48%
BankUnited	$0.07	$1.84	2395%	$2.04	11%	↑	BankUnited	$0.00	$0.01	-	$0.01	16%
Dime	$1.97	$2.18	10.2%	$2.86	31%	↑	Dime	$1.97	$2.18	10%	$2.86	31%
Emigrant	$0.85	$0.82	-3.4%	$0.78	-5.3%	↑	Emigrant	$0.00	$0.00	-	$0.00	-
Flushing	$1.21	$1.33	9.7%	$1.53	16%	↑	Flushing	$1.10	$1.18	7.9%	$1.32	12%
NYCB	$5.80	$6.30	8.6%	$9.99	59%	↓	NYCB	$5.40	$5.88	8.8%	$9.57	63%
Popular Community	$2.50	$3.40	36%	$3.68	8.3%	↑	Popular Community	$1.16	$1.05	-9.2%	$1.15	8.9%
Ridgewood	$2.74	$2.67	-2.2%	$2.79	4.39%	↑	Ridgewood	$2.59	$2.54	-1.7%	$2.64	3.7%
Signature	$11.41	$19.22	69%	$23.67	23%	↑	Signature	$2.48	$3.43	39%	$4.41	29%
Sterling	$1.93	$1.38	-29%	$1.00	-27%	*New to study*	Sterling	$0.25	$0.34	39%	$0.18	-49%
Valley National	$1.60	$2.27	42%	$2.29	0.49%	↑	Valley National	$0.37	$0.62	65%	$0.61	-0.65%
Wholesale												
BNY Mellon	$119.1	$155.5	31%	$138.1	-11%	↑						
Deutsche Bank	$30.3	$42.7	41%	$41.4	-3.0%	↓						
Goldman Sachs	$65.4	$77.8	19%	$113.7	46%	↑				*N/A*		
Morgan Stanley	$13.7	$26.3	92%	$39.5	50%	↑						

2015 and decreased 27% in that same timeframe outside of Manhattan. HSBC's citywide deposits increased another 34% in 2016, while decreasing 4% outside of Manhattan. Most other large banks increased deposits in and outside of Manhattan in 2016. Notably, Capital One's deposits declined 12% outside of Manhattan. Santander, TD Bank, and Bank of America increased the most in the outer boroughs. That being said, in all years, over 85% of all deposits are in Manhattan. Wealth in New York City has long been concentrated in Manhattan and the income gap continues to grow. It is imperative that as bank deposits rise citywide, that bank reinvestment rises as well and be distributed equitably, with particular emphasis on low-income, minority, and immigrant people and communities throughout New York City who have been historically disproportionately impacted by banking practices and poor regulations.

- **Reinvestment dollars increased 21% in 2016: Core Consumer & Commercial Reinvestment increased 12% and Community Development Reinvestment increased 28%. Eleven banks have a quantity index over 5%, up from nine in 2015.**

	2015 Quantity Index	2016 Quantity Index
Reinvestment Dollars	$10.9 billion	$13.1 billion
Deposits	$1.1 trillion	$1.2 trillion
Total Quantity Index	1.01%	1.07% (⇧)
Average Quantity Index	4.66%	5.08% (⇧)
Median Quantity Index	2.23%	1.91% (⇩)

TABLE 4: OVERALL REINVESTMENT DOLLARS 2014-16 (BILLIONS)					
	2014	2015	2014-15	2016	2015-16
Deposits	$990	$1072	8.3%	$1224	14%
Core Consumer & Commercial Lending	$6.5	$5.1	-21%	$5.7	12%
Community Development	$5.6	$5.8	2.8%	$7.4	28%
Overall	$12.1	$10.9	-10%	$13.1	21%

TABLE 5: REINVESTMENT DOLLARS BY CATEGORY 2015-16 ($ MILLIONS)				
	2015	2016	2015-16	# banks 2015-16
Multifamily *Lending in LMI Tracts (for reference)*	$9980	$9634	-3.5%	20
Multifamily Community Development Lending	$4571	$5100	12%	17
Small Business Loans in LMI tracts	$251	$301	20%	21
Home Purchase Loans to LMI borrowers	$199	$190	-4.3%	21
Refinance Loans to LMI borrowers	$75.33	$82.17	9.1%	21
Community Development Lending	$3847	$4932	28%	20
CRA Qualified Investments	$1852	$2184	18%	19
CRA-eligible Grants	$64.89	$70.15	8.1%	18

After a 10% decline in 2015, the overall quantity of reinvestment dollars increased 21% in 2016. Core Consumer & Commercial Lending increased by 12%, but still below 2014 levels. However, Community Development Reinvestment increased 28%, well above 2014 levels. When looking at the individual areas within each of these larger categories, we see that the biggest increases were in community development lending, which went up 25%, followed by small business loans in LMI tracts (up 20%) and CRA-qualified investments (up 18%). Home purchase loans to lower income borrowers declined by 4.3% and refinance lending to lower income borrowers increased 9%. Multifamily community development lending increased 12% and CRA-qualified investments did by 18%. After a slight decline in 2015, grants were up 8.1% in 2016.

The increase in multifamily community development lending is encouraging, but only if that lending is done responsibly. Some of this was by large banks that specialize more in community development projects, but other increases were driven by some large multifamily lenders that lend on rent-regulated housing, such as Signature, Dime, and Ridgewood. New York Community Bank's lending overall declined in 2016, including those that count for community development loans.

Only four banks increased deposits and decreased reinvestment dollars. New York Community Bank's deposits increased by 58% but their reinvestment dollars went down 44%. TD's increased 12% and reinvestment declined 18%. New York Community bank's CRA activity still largely connects to their core business models, rather than a Community Development team, although they are taking steps to improve that more. HSBC, too, increased deposits, and decreased reinvestment, but we understand our data is limited for that bank.

At other banks, however, we see large increases in reinvestment dollars, including Bank of America, Capital One, M&T, and smaller banks like BankUnited, Dime, Popular Community, Flushing, and Emigrant. Much of the large increases are due to the market changes, as mentioned above. But, we do note that reinvestment continued to increase at banks like Santander, Citibank, Capital One, and Chase which have large community development teams. Santander's reinvestment dollars increased more modestly at 16%, but we expect both the quantity and quality to increase further, as they put their new CRA plan into action. At the wholesale banks, only Deutsche Bank decreased its reinvestment dollars, down 5% in 2016.

Santander's increased reinvestment is an example of the CRA at work. **In 2017, Santander announced their new "Inclusive Communities" plan, which commits $11 billion over five years with specific commitments to the broad spectrum of CRA activities: home lending, responsible multifamily lending, small business lending, branches and branch products, and community development loans, investments and grants**. The plan was developed in consultation with NCRC and over 100 community groups throughout their footprint, including ANHD and some of our members. While the plan went into effect after the timing of this report, the bank didn't wait for it to be completed to begin taking steps to improve upon their record with new dedicated CRA and community development staff and dollars to deploy.

Valley National Bank's reinvestment was fairly flat in 2016, up only 1%, but we do know that they are doing more deals with nonprofits, which may not be as large, but are likely to have more of an impact. We hope to see both increase in future years. 2016 was the second full year since they implemented their CRA plan, following the merger with 1st United Bank in Florida, and they just completed another merger since then with another Florida-based bank that also reaches into Alabama.

The collective $13.1 billion in reinvestment dollars equals 1.07% of total local deposits, up from 1.01% in 2015, but down from 1.2% in 2014. Among all 26 banks, the average quality index was 4.89%, down from 5.1% in 2015 and 5.6% in 2014, and the median at 1.8%, down from 2.8% in 2015, but up from 1.3% in 2014. In 2016, eleven banks had a quantity index over 5%, up from nine in 2015 and just five in 2014. Among the largest banks, M&T and Capital One had a quantity index over 5%. M&T's deposit base increased in 2016 following the Hudson City merger, but it is still relatively small; they are based in Buffalo and hold most of their deposits outside of New York City. Citibank, Santander, and TD Bank were all close to 2% of their local deposits in 2016 – all were above that in 2015.

More of the smaller banks exceed the 5% of deposits, but that has more to do with their smaller deposit base and large deals, such as are found with larger multifamily loans. New York Community Bank, however, is now at 15%, well below their high of over 50% of local deposits. Sterling has the highest reinvestment index with 24% reinvested, but we note that their deposit base was only $1 billion in 2016, and that is down by a third from 2015 as they closed many branches. We know they have more branches and deposits, and hope to see continued increases in reinvestment following the Astoria merger.

TABLE 6: OVERALL REINVESTMENT DOLLARS AND QUANTITY INDEX BY BANK 2016 ($ MILLIONS)

	Deposits ($ billions)		Community Development		Core Consumer Lending		Overall Reinvestment Dollars		Overall Quantity Index	
	Deposits	% change 2015-16	CD Reinv	CD Index	Core Reinv	Core Index	Reinv.	% change 2015-16	Quantity Index	% change 2015-16
Largest										
M&T	$4.15	26%	$256	6.18%	$167	4.02%	$423	53%	10.2%	21%
Capital One	$26.79	-0.5%	$523	1.95%	$1038	3.88%	$1561	98%	5.83%	99%
Citibank	$91.40	48%	$1424	1.56%	$373	0.41%	$1797	31%	1.97%	-12%
Santander	$11.91	18%	$81	0.68%	$146	1.23%	$228	16%	1.91%	-1.8%
TD Bank	$18.84	12%	$338	1.79%	$14.9	0.08%	$353	-18%	1.87%	-27%
Bank of America	$65.49	2.4%	$525	0.80%	$46.1	0.07%	$571	65%	0.87%	61%
Wells Fargo*	$15.47	-16%			$66.9	0.43%	$66.89	-4.5%	0.43%	13%
Chase	$489.24	12%	$915	0.19%	$330	0.07%	$1244	41%	0.26%	26%
HSBC*	$107.14	34%			$34.4	0.03%	$34.38	-14%	0.03%	-36%
Smaller										
Sterling	$1.00	-27%	$180	18%	$60.67	6.06%	$241		24.1%	
NYCB	$9.99	59%	$286	2.86%	$1228	12%	$1514	-44%	15.2%	-64%
Valley National	$2.29	0.5%	$170	7.44%	$103	4.50%	$273	1.1%	11.9%	0.57%
BankUnited	$2.04	11%	$30.86	1.51%	$186	9.13%	$217	106%	10.6%	86%
Dime	$2.86	31%	$3.23	0.11%	$247	8.65%	$250	47%	8.76%	12%
Signature	$23.67	23%	$649	2.74%	$1264	5.34%	$1913	31%	8.08%	6.4%
Popular Community	$3.68	8.3%	$249	6.75%	$7.11	0.19%	$256	64%	6.95%	52%
Ridgewood	$2.79	4.4%	$25.69	0.92%	$156	5.59%	$182	35%	6.51%	29%
Astoria	$3.46	-0.1%	$35.15	1.02%	$154	4.44%	$189	-0.49%	5.45%	-0.37%
Emigrant*	$0.78	-5.3%			$14.34	1.84%	$14.34	53%	1.84%	61%
Apple Bank	$7.22	5.1%	$8.15	0.11%	$70.38	0.97%	$78.53	-63%	1.09%	-64%
Flushing*	$1.53	16%			$15.45	1.01%	$15.45	1739%	1.01%	1492%
Wholesale										
Morgan Stanley	$39.49	50%	$345	0.87%	*Not applicable*		$345	116%	0.87%	44%
Goldman Sachs	$114	46%	$757	0.67%			$759	83%	0.67%	25%
Deutsche Bank	$41.40	-3%	$182	0.44%			$182	-4.9%	0.44%	-1.9%
BNY Mellon*	$138	-11%	$381	0.28%			$381	29%	0.28%	45%

** Limited data*

- **Quality Score: Seven banks scored over 3 in 2016, up from six in 2015.**

TABLE 7: 2016 QUALITY SCORE										
	Core	Comm. Devt	Service	Total			Core	Comm. Devt	Service	Total
Largest						**Smaller**				
Citibank	3.80	3.33	4.50	3.88		BankUnited	3.00	3.83	3.00	3.28
Capital One	4.60	3.50	3.00	3.70		Ridgewood	2.75	3.67	3.00	3.14
M&T	3.60	2.83	2.50	2.98		Popular Community	2.33	2.83	4.00	3.06
Bank of America	2.00	3.00	3.50	2.83		Sterling	3.20	3.33	2.00	2.84
Chase	3.20	2.00	3.00	2.73		Valley National	2.40	3.00	3.00	2.80
Santander	3.20	2.50	1.50	2.40		Signature	4.33	1.55	2.50	2.79
TD Bank	1.60	3.00	2.50	2.37		Dime	3.33	1.83	3.00	2.72
HSBC	3.67	0.14	2.75	2.19		Astoria	3.00	2.83	2.00	2.61
Wells Fargo	2.00	0.14	1.25	1.13		NYCB	3.20	2.60	2.00	2.60
Wholesale						Apple Bank	1.00	2.18	4.00	2.39
Deutsche Bank	N/A	3.36	4.00	3.68		Flushing	3.20	0.14	2.75	2.03
Morgan Stanley		2.78	4.00	3.39		Emigrant	4.00	0.14	0.67	1.60
Goldman Sachs		1.73	3.00	2.36						
BNY Mellon		1.00	2.00	1.50						

As outlined above, the quality score was introduced to complement the quantity index regarding how well those dollars are being deployed. No single tool can capture every aspect of good community development, which is why this more nuanced score can help highlight specific areas of strength and where they have room for improvement. Santander, for example, ranks above 3 in its core lending, indicating they are lending equitably compared to their peers, but their service and community development scores indicate they have room for improvement in branching and some aspects of their bank products, and lending with nonprofits. In fact, their *Inclusive Communities* CRA plan is addressing many of these areas, and since the timing of this report, they have opened new branches in LMI tracts and are taking steps to implement the full plan.

Capital One and Citibank continue to stand out for having relatively high overall quantity indexes and high quality scores. Both have long been recognized for their community development teams and the intentionality of their work. Citibank has been making greater progress in lending to nonprofits and CDCs and also making more grants to neighborhood-based organizations. We are very disappointed, however, that Capital One discontinued its residential mortgage lending, which will limit the impact they have on local communities.

We note a sharp decline in TD Bank's core lending score, which is partially due to the low percentage of home loans to LMI borrowers, and also multifamily loans that count for community development credit or are in LMI tracts. However, the latter is a relatively small volume – TD made just 13 multifamily loans in 2016. We do note that their service score increased as they no longer reorder transactions from high to low, which should minimize the chances of people incurring overdraft charges.

Chase's large deposit base once again contributes to its low quantity index. They have historically ranked higher on the quality indicators, but they remained below "3" in 2016. Chase continues to make a large percentage of community development loans to nonprofits, but once again, few investments were in nonprofits. They also still do not report on loans to CDCs or grants to neighborhood-based organizations. Anecdotally, we understand they continue to support CDCs through their loans, but we still hear that their grantmaking is not reaching the smaller organizations as it had in prior years.

Of the smaller banks, we are pleased to see Valley National Bank's improvement once again, as they continue to implement their CRA plan. But, the improvements are not universal. On a positive note, they are making more community development loans each year, and doing more deals with nonprofits than in the past. We are also pleased that they introduced a new affordable "second chance" checking account with no overdraft on ATM or debit cards. However, their volume of 1-4 family lending remains quite low and they made no new investments in 2016. Sterling bank is new to this study and seems to compare favorably to the other banks in many categories, particularly in home and small business lending. The data in this survey was prior to the Astoria merger, which will likely lead to improvements in the distribution of branches and we hope in their bank products, although both banks have some room to improve there. We appreciate the attention Sterling is placing on keeping the branch focus that Astoria has, and we urge them not to close branches, particularly in lower-income or minority areas, and to seek unbanked areas to open branches.

It is difficult to rank just four wholesale banks, especially in categories where we do not have data for all four banks. However, it does give us a measure of their community development activity, with regard to loans, investments, and grants. We appreciate the intentionality of Deutsche Bank, Goldman Sachs, and Morgan Stanley, each standing out in different areas of community development. BNY Mellon continues to provide data, but much less than their peers. We also believe they have the opportunity to do more in New York City, but we appreciate the programs and partnerships they have.

Typically, some of the smaller local and regional retail banks do much of their community development lending through multifamily mortgages. Multifamily lenders like Dime and Ridgewood Savings Bank make very few other types of community development loans, and some other banks like Signature and New York Community Bank, seem to get community development credit from other areas of their core business, with less of an intentional approach. This serves to both remind them to consider other types of lending and also to ensure that the multifamily loans are of the highest quality so as to preserve affordable housing and minimize displacement of lower-income tenants.

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

RECOMMENDATIONS

As in all sections, we encourage that banks and bank regulators follow the core principles discussed earlier, as well as integrate the following recommendations into their CRA related practices:

- Bank reinvestment-related activity – lending, investments, and services directed towards low- and moderate-income residents and neighborhoods – should be substantial, and in proportion to each bank's locally-held deposit base. As bank deposits increase in New York City, their reinvestment dollars should increase as well.
- **All banks should commit to reinvesting 5% or more of local deposits dedicated to the full range of targeted, strategic reinvestment lending and investments that specifically benefit low- and moderate-income communities.** Banks close to or over the 5% quantity index goal should strive to reach or exceed that goal in a responsible manner. Banks well below 5% should take incremental steps and build up the infrastructure (staff and resources) to support deals, large and small, that target the unique community development needs of New York City communities. Reinvestment activities should include meaningful levels of both core and community development reinvestment.
- **Banks should strive for a quality score above "3", indicating they beat their peers in more areas than they lagged with regard to the percentage of activities that have the biggest impact.** This represents a commitment to fair lending and to factors that have an impact beyond simply the dollar amount.
- **Regulators should do everything in their power to increase the effectiveness of the CRA. They should:**
  - **Require a CRA Plan** as a condition of every merger and acquisition.
  - Hold banks to the highest standards as they **implement recent changes to the CRA made through the latest "Interagency Questions and Answers Regarding Community Reinvestment" (Q&A) revision.**
  - Downgrade CRA ratings when banks are found to engage in irresponsible behavior, especially if it leads to residential or commercial displacement or poor living conditions.
  - **Improve the CRA Exam process** through **training for examiners**, more **uniformity and disclosure** in the CRA performance evaluations, and **increased outreach** to the community at the time of exams and mergers.

BRANCHES & BANK PRODUCTS

BACKGROUND

When the CRA was first written in 1977, many banks had been explicitly refusing to open branches and invest deposits in low-income communities and neighborhoods of color. As a result, CRA exams have traditionally focused almost exclusively on the number of branches in low- and moderate-income communities, with some ancillary discussion of hours of service and types of products offered. Community groups fought long and hard to get banks just to open branches in underserved neighborhoods. **Forty years later, we still struggle to get banks to open – and not close – branches, particularly in unbanked and underbanked areas.** New Yorkers today face additional barriers to banking due to issues of cost and identification associated with various bank products.

We appreciate that the CRA regulators recently implemented changes to the exam process to place greater emphasis on the cost and use of bank products, while still keeping the focus on physical branches. We are eager to see how these procedures are implemented and impact the availability and accessibility of bank products throughout New York City.

The vast majority of bank branches are in Manhattan below 96th St. In upper Manhattan and the outer boroughs,they are sparser and tend to be clustered along commercial corridors, leaving certain low-income communities of color with very few options.

The banking world has changed since the 1970s, as banks are closing branches and expanding mobile and online options instead of opening them in unbanked areas. The vast majority of bank branches in New York City are in Manhattan below 96th Street. In upper Manhattan and in the outer boroughs, they are sparser and tend to be clustered along commercial corridors, leaving certain low-income communities of color with very few options. The most recent 2015 FDIC study on access to banking shows that nearly a third of households (30%) in the New York area are unbanked or underbanked, higher than the 27% nationwide[3]. In the same area, nearly 720,000 households (8.9%) are completely unbanked. That same study shows that while most unbanked and underbanked people do not have computers, increasing numbers have cell phones and smart phones, **but we cannot lose sight of the fact**

3 FDIC, 2015 *FDIC National Survey of Unbanked and Underbanked Households*, by Susan Burhouse, Karyen Chu, Keith Ernst, Ryan Goodstein, Alicia Lloro , Gregory Lyons, Joyce Northwood, Yazmin Osaki, Sherrie Rhine , Dhruv Sharma,Jeffrey Weinstein

that a quarter of underbanked households and over half of unbanked households do not have a smart phone and only 32% of banked households in the FDIC's study used mobile banking.[4] Physical bank branches remain important for many, including small businesses, low-income populations, immigrants, and the elderly. Increasing bank branches has a direct impact on small business lending and can lead to individual wealth-building through opening savings accounts and establishing credit history. Their absence opens the door to predatory businesses, such as check cashers and pawn shops[5]. Multiple studies, such as the 2014 *Banking in Color* study, show that low-income people of color still rely upon the presence of bank branches to conduct financial transactions[6]. Unfortunately, the percentages of unbanked and underbanked households were much higher for Black, Latino, and low-income households. While some progress has been made in the percentage of unbanked, the stagnant rate of underbanked indicates that banks are still not meeting the full banking needs of their customers. The study also found that people with higher rates of income volatility were more likely to be unbanked and under-banked than those with a steady income. This held true across the income spectrum. One study found that 20% of US households experience moderate to significant income fluctuations month to month, and in NY 18% of households do.[7] The Pew Research Center found that year over year, 34% of households experienced large changes in income (losses or gains) and that rose to 38% in low-wage households. Similar to the FDIC study, they found that whether households experienced a gain or a loss, this volatility led to lower levels of financial well-being and fewer savings than those with stable incomes.[8]

Multiple factors, in addition to bank location, contribute to people being unbanked or underbanked. The most common reason people do not have a bank account is because they do not have enough money to access or maintain an account. Additional, but related reasons have to do with a lack of trust in banks and high and hidden fees, such as those associated with overdrafts and monthly maintenance fees. The annual Pew report on overdraft practices finds that service charges on bank deposit accounts more than doubled from 1984 to 2015; they were actually declining from the peak in 2009 to 2014, and then inched up again in 2015. Banks with over $1 billion in assets took in $11.16 billion in overdraft fees, which constituted nearly two-thirds of all service fees. They also found that most of the largest banks charge $35 per overdraft or higher (13 charged $35, 6 charged $36 and 6 charged $37). The customers most impacted by overdrafts earn less than $50,000 a year[9].

We also know from other studies, such as the Northwest Queens Financial Education Network*'s Bridging the Gap,* the importance of language access and cultural competency in effectively serving immigrant communities.[10] Another barrier to banking for immigrants and some other

4 ibid

5 Silver, J. & Pradhan, A. (2012, April): "Why Branch Closures are Bad for Communities", Issue Brief by the National Community Reinvestment Coalition:

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

7 Prosperity Now study

8 http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/03/how-income-volatility-interacts-with-american-families-financial-security

9 Pew Charitable Trusts (2016) *"Consumers Need Protection From Excessive Overdraft Costs"*

10 Northwest Queens Financial Education Network (2015*), "Bridging the Gap: Overcoming Barriers to Immigrant*

populations is a lack of identification. While all banks will accept a U.S. passport or a New York State driver's license, some go further to accept alternate forms of identification such as foreign passports (ideally without requiring a Visa) or consular ID cards. Very few banks (none in this study) accept New York City's municipal identification card, "IDNYC," as a primary form of identification to open a bank account.

PRINCIPLES

Using a bank account is associated with, and may even lead to, increased financial stability. People with mainstream bank accounts tend to keep more of their earnings, fare better against financial shocks, and save more for the future. Conversely, lack of a bank account is related directly to poverty. Yet, traditional banking accounts remain out of reach for many New Yorkers.

- **Physical Branches matter.** Banks must open and maintain branches in underserved areas to make banking available to all New Yorkers. <u>Banks should open branches in areas that are unbanked or underbanked,</u> and partner with local nonprofits to ensure they successfully reach new customers through their products and practices.
- **Every bank should offer a safe affordable bank account.** New and existing customers need to be able to save and access their money at little to no cost. This is essential to be able to conduct their day to day transactions safely and effectively. Banks should offer and promote an account **with low fees and no overdrafts. It should be accessible to everyone by accepting multiple forms of identification and allowing people with prior banking issues to reenter the banking system.**
- **Every bank should be affirmatively meeting the specific banking needs of the lower-income and immigrant communities they serve.** In addition to transactional accounts, New Yorkers rely upon banks to build credit, save money, send remittances, send money to family and friends, and access loans. Banks should support this by partnering with the City and community organizations to increase access to banking. They should also create targeted banking, lending, and credit building products; market the products affirmatively; have hours and locations that are convenient to the community; and provide staffing and services in the languages of the local neighborhood and that are culturally relevant.

TRENDS & FINDINGS

- **Branches overall declined, down by 18 from 2015 to 2016. The number of branches in lower-income tracts were fairly stagnant – up four in low-income tracts, and down 3 in LMI tracts; banking deserts persist.**

Among the 21 retail banks in this study, the total number of branches declined by 18 branches

Financial Empowerment in Northwest Queens"

TABLE 8: CHANGE IN FULL SERVICE BRANCHES 2014, 2015, AND 2016															
	2014			2015			2016			% Change 2015-16			% Change 2014-16		
	All	LI	LMI	All	LI	LMI	All	LI	LMI	All	LI	LMI	All	LI	LMI
Largest	1,111	105	343	1,102	105	346	1,098	107	347	-0.4%	1.9%	0.3%	-1.2%	1.9%	1.2%
Smaller	320	33	116	331	32	119	317	35	116	-4.2%	9.4%	-2.5%	-0.9%	6.1%	0.0%
Total	**1,431**	**138**	**459**	**1,433**	**137**	**465**	**1,415**	**142**	**464**	**-1.3%**	**3.6%**	**-0.2%**	**-1.1%**	**2.9%**	**1.1%**
(LI = Low-income tract, LMI = Low- and moderate-income tract)															

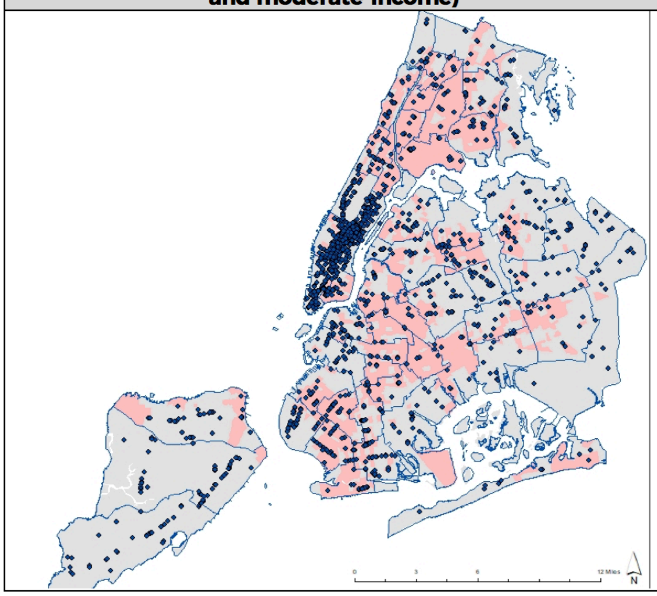
(1.3%) from 2015 to 2016. Branches in LMI tracts decreased by just one (0.2%), but branches in low-income tracts in particular increased by five (3.6%). The overall decline was impacted by Sterling Bank, which is new to our study and closed 7 branches in 2016; yet still, the overall changes mask fluctuations among banks. Chase still has the largest branch network by far, but they now have 364 branches, down from 372 in 2015 and 383 in 2014. Capital One continues to close branches; they had 7 fewer branches in 2016. HSBC closed another three branches as well. Conversely, other banks, including TD Bank, Bank of America, Santander, and M&T are opening branches. TD Bank had 10 more branches in 2016 and Bank of America had two. Santander is opening branches as part of their new CRA plan; they opened one in New York City as of the time of this study (June 30, 2016), and opened three more by the end of 2016. M&T's branch network expanded due to its completed acquisition of Hudson City Bank. When focusing in on where these banks opened and closed their locations, we note that TD Bank opened five new branches in low and moderate-income tracts, including one in the Bronx, and Bank of America opened two new branches in low and moderate-income tracts. Chase closed 11 branches, three of which were in moderate-income tracts. The average percentage of branches in low-income tracts rose from 8.6% in 2015 to 9.2% in 2016 and in low- and moderate-income tracts it went from 33.1% to 32.7%. ANHD has long recommended that 25% of a bank's branches be in low- and moderate-income tracts, and in particular, 10% in low-income tracts.

TABLE 9: HIGHEST PERCENTAGES OF BRANCHES IN LOW- AND MODERATE-INCOME (LMI) AND LOW-INCOME (LI) CENSUS TRACTS														
	2015			2016					2015			2016		
Bank	Total	LMI	% LMI	Total	LMI	% LMI		Bank	Total	LI	% LI	Total	LI	% LI
Largest								**Largest**						
Chase	372	133	36%	364	132	36%		Chase	372	50	13%	364	51	14%
Bank of America	119	41	35%	121	42	35%		Bank of America	119	12	10%	121	13	11%
HSBC	94	31	33%	91	30	33%		HSBC	94	10	11%	91	9	9.9%
Capital One	135	44	33%	128	42	33%		Citibank	152	14	9.2%	148	14	9.5%
Citibank	152	47	31%	148	47	32%		Capital One	135	11	8.1%	128	10	7.8%
TD Bank	126	27	21%	136	32	24%		TD Bank	126	6	4.8%	136	8	5.9%
Santander	71	16	23%	72	16	22%		Wells Fargo	21	1	4.8%	21	1	4.8%
Wells Fargo	21	4	19%	21	4	19%		Santander	71	1	1.4%	72	1	1.4%
M&T	12	3	25%	17	3	18%		M&T	12	0	0.0%	17	0	0.0%
Smaller								**Smaller**						
Popular Community	34	22	65%	34	21	62%		Popular Community	34	7	21%	34	8	24%
Dime	18	9	50%	18	10	56%		BankUnited	5	1	20%	5	1	20%
Ridgewood	25	9	36%	24	11	46%		Apple Bank	51	10	20%	53	10	19%
Apple Bank	51	23	45%	53	23	43%		Flushing	15	3	20%	16	3	19%
BankUnited	5	2	40%	5	2	40%		Valley National	30	4	13%	27	5	19%
Flushing	15	6	40%	16	6	38%		Sterling	17	1	5.9%	7	1	14%
Signature	19	6	37%	19	6	32%		Signature	19	1	5.3%	19	2	11%
Astoria	30	11	32%	31	10	32%		Dime	18	1	5.6%	18	1	5.6%
NYCB	85	20	24%	81	20	25%		NY Community	85	3	3.5%	81	3	3.7%
Valley National	30	7	23%	27	6	22%		Astoria	30	1	3.3%	31	1	3.2%
Sterling	17	4	24%	7	1	14%		Ridgewood	25	0	0.0%	24	0	0.0%
Emigrant	2	0	0.0%	2	0	62%		Emigrant	2	0	0.0%	2	0	0.0%

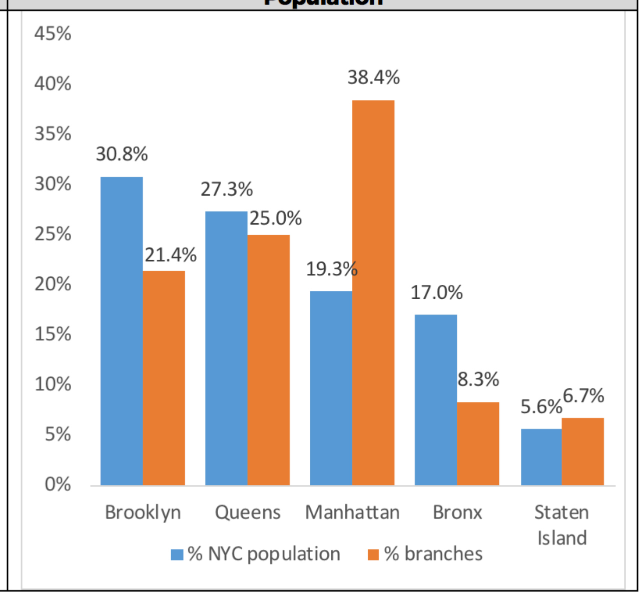
In 2016, 14 of the 21 retail banks met our first benchmark for branching in low- and moderate-income communities, up from 13 in 2015; nine met the second benchmark for low-income communities (down from eight in 2015). Chase and Bank of America still meet the low-income benchmark: 14% at Chase and 10.7% at Bank of America. HSBC's percentage dropped to just below 10%. Citibank has over 9% of their branches located in low-income tracts.

Simply looking at the overall percentage of branches in lower-income tracts is a helpful first step for uncovering banking access issues, but can mask some of the more nuanced barriers to banking. Branches are not distributed equitably, with the majority concentrated in mid- and lower Manhattan below 96th Street and much fewer in upper Manhattan and the outer boroughs. The Bronx and Brooklyn have nearly 50% of the City's population, yet only 30% of the branches, and especially with so many concentrated in a few commercial corridors, many neighborhoods have none at all.

Distribution of Bank Branches NYC (shaded areas are Low and moderate-income)



Percentage of branches versus Percentage of NYC Population



- **More banks are offering affordable checking accounts, but more needs to be done.**

The most basic checking products continue to vary among banks in regards to how to open an account, monthly maintenance fees, and additional fees associated with the account. New York State law requires all state-chartered banks to offer a "Lifeline Account," which is a very basic checking account with low monthly fees, no minimum balance, and the ability to do some transactions (write checks, withdraw money) for free, each month. While this is a helpful product, it is not fully sufficient, as it allows banks to offer overdrafts, and to charge for transactions when the maximum free transactions have been met. Signature Bank, for example, charges $1.50 per transaction after eight free transactions (Signature does not charge fees for using another bank's ATM). Starting in mid-2017, Popular Community Bank went in the wrong direction by discontinuing its no-fee account, and offering instead a basic lifeline that charges $1 per transaction after eight free transactions. Many of the other state-chartered banks still offer accounts with no monthly maintenance fees, including Dime and Flushing, as well as Ridgewood and New York Community Bank with e-statements. Three national banks, HSBC, Santander, and Valley

National Bank, also provide similar lifeline accounts for $3 per month. For a long time, the options at the largest banks have been limited, with few options for working class adults, especially those without direct deposit. We are seeing positive movement among some of these banks in recent years to change this.

Chase operates over 30% of all full-service bank branches in the Bronx, and over 20% in Brooklyn and Queens. Their most basic checking account costs $12 per month, which can only be waived with direct deposit or a monthly average balance of $1,500. Chase used to also waive the fee if the customer pays $25 or more in fees (overdrafts cost $34), but that appears to have ended in 2016. In fact, the New York City Comptroller found Chase to be one of the most expensive banks in the City, estimating it would cost a low-income consumer $227 a year to use that account.[11] Chase's prepaid card costs less, and operates very much like the checkless checking accounts at some other banks; however, it is still $60 per year, and if that customer transitions to a full checking account and cannot meet the minimum balance requirements or access direct deposit, they will be paying an additional $12 per month (which is significant for low- and moderate-income New Yorkers).[12] In addition, Chase continues to take in billions of dollars in overdraft and service fees annually. In 2016, $1.925 billion (42%) of Chase's $4.6 billion service fees were derived from overdrafts. Their overdraft fees increased by $59 million in 2016 and total service fees by $82 million.

In addition to Chase, basic checking accounts at other major banks are similarly expensive. Of the largest national banks, Capital One and TD Bank have the lowest minimum balance requirements to waive the fee on their full checking accounts offered in branches ($350 and $100, respectively) versus $1,500 at the Big Four banks. Some of these are *daily* and not monthly, so customers could still be caught unaware. Bank of America had a legacy online-only account that was free for customers who did not use any branch services; while it did not meet the standards for a safe account, we understand it did serve a purpose for individuals who were comfortable with the online only account. They should not have moved people into their Core Checking account and stopped this account, especially without waiving the $12 per month fee for lack of $1,500 minimum balance or direct deposit.

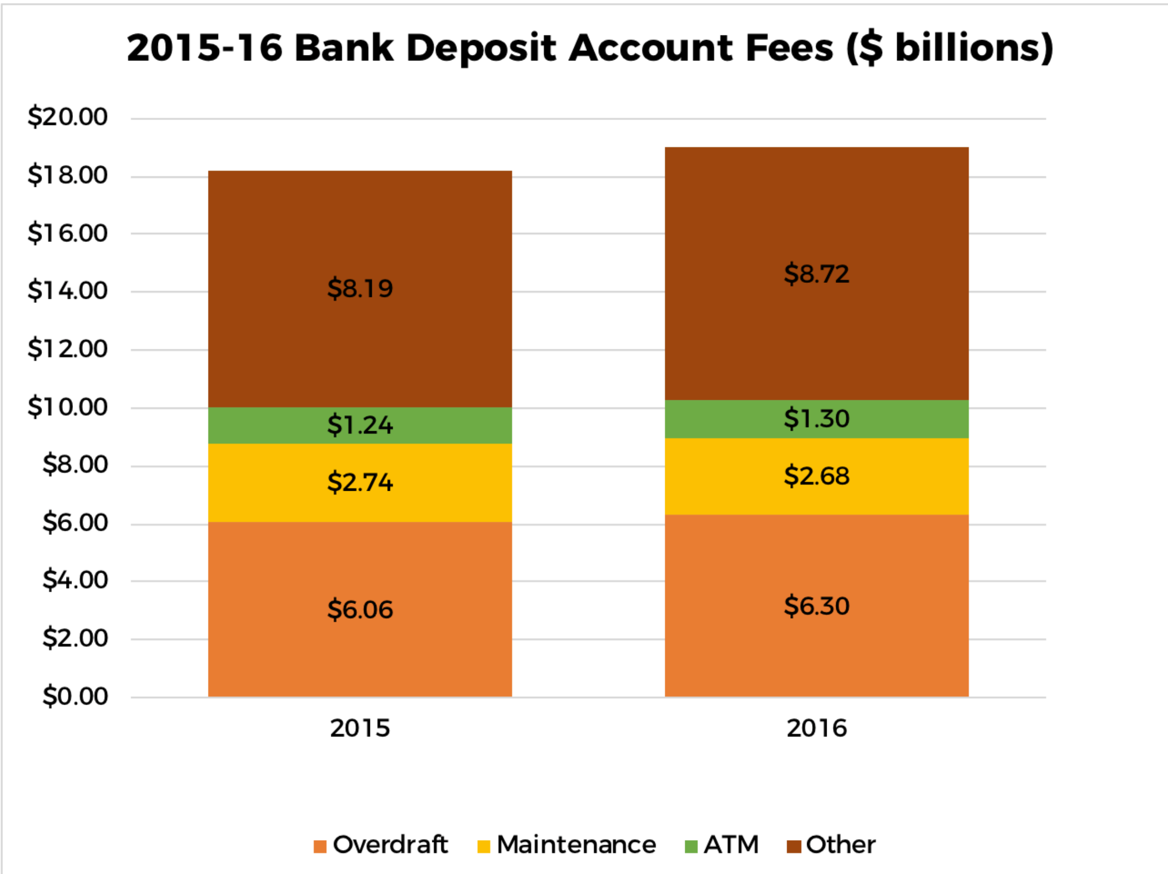
Given the multitude of very small businesses, self-employed people, and workers paid in cash, an account that depends upon direct deposit or a large minimum balance to avoid monthly fees is out of reach for many. This is even more important in today's "gig economy," pushing more people into informal jobs. Likewise, people who lose their jobs may find themselves suddenly with lower account balances and without direct deposit, ultimately facing fees at a time when they can least afford them.

Starting with calendar year 2015, the Federal Financial Institutions Examination Council (FFIEC) quarterly "call reports" disclose consumer fees collected by banks overall, as well as a breakdown of maintenance fees, ATM fees, and overdrafts. Looking first at service fees, among the largest banks, Bank of America, Wells Fargo and Chase took in the highest amounts of maintenance fees, ATM fees, and total service fees. While this may be expected from the largest banks in the country, it still amounts to billions in service fees. Bank of America took in $1.3 million in

11 Office of the NYC Comptroller (2015) "Take it to the Bank."

12 Wilk, J. "Chase Liquid" presentation, FDIC Advisory Committee on Economic Inclusion (ComE-IN) Meeting, May 13, 2013, https://www.fdic.gov/about/comein/2013/2013-05-16_presentation_wilk.pdf

ATM and maintenance fees alone, accounting for 24% of service fees, and 0.18% of consumer deposits. Wells Fargo and Chase had the next highest amount in these basic fees, at $1.1 million (0.23% of consumer deposits) and $938 thousand (0.18% of consumer deposits), respectfully. TD Bank, Wells Fargo and Chase had the highest amount of these fees as a percentage of consumer deposits. Chase took in $304 million in ATM fees, which is 22% more than they did in 2015. TD Bank's ATM and maintenance fees were well over Citibank's, and just after the other "big four" banks, accounting for the highest compared to consumer deposits (0.38% of consumer deposits). Santander, on the other hand, took in one of the lower amounts of ATM and maintenance fees, and fifth highest as a percentage of consumer deposits.



Among the smaller banks, Valley National, Apple and New York Community Bank had the highest in ATM and maintenance fees; however, Popular Community, Ridgewood and BankUnited fees were the highest as a percentage of consumer deposits. Of those, Popular Community banks fee collections stood out the most, by far at 1.2% (this equals $12.02 per $1,000 consumer deposit). We also note that Ridgewood's total service fees jumped by 57%, much of which was driven by a huge increase in their ATM fees, from just $44,000 in 2015 to $1.7 million in 2016. The bank discontinued its policy of waiving some ATM fees, which may have contributed to this increase as well, but the bank joined the Allpoint network, which should, in theory, lower ATM fees.

The third type of major consumer fee revenue continues be overdraft fees, and often this source of revenue is collected disproportionately from low and moderate-income clients. Luckily, there

TABLE 10: 2016 FFIEC CALL REPORT DATA ON OVERDRAFTS, MAINTENANCE, ATM AND OVERALL SERVICE FEES. (*DATA IS FOR THE WHOLE BANK, NOT JUST NEW YORK CITY*)

	Total Service fees	Consumer Deposits (m)		Overdraft Fees				Maintenance + ATM fees		
	$ (m)	Consumer Transactional Deposits	All consumer Deposits	$ (m)	% Svc Fees	% Consumer Transactional Deposits	% all consumer Deposits	$ (m)	% Svc Fees	% all consumer Deposits
Largest										
TD Bank	$1,044	$2,400	$79,485	$467	45%	19.5%	0.59%	$302	29%	0.38%
Chase	$4,615	$53,280	$511,249	$1,925	42%	3.6%	0.38%	$938	20%	0.18%
Wells Fargo	$5,833	$16,264	$495,262	$1,776	30%	10.9%	0.36%	$1133	19%	0.23%
M&T	$329	$2,324	$36,819	$117	36%	5.1%	0.32%	$38	11%	0.10%
Bank of America	$5,501	$38,860	$711,043	$1,653	30%	4.3%	0.23%	$1301	24%	0.18%
Santander	$164	$4,485	$30,564	$54.38	33%	1.2%	0.18%	$48.31	30%	0.16%
Capital One	$348	$3,156	$161,875	$163	47%	5.2%	0.10%	$63	18%	0.04%
Citibank	$948	$3,464	$140,944	$115	12%	3.3%	0.08%	$102	11%	0.07%
HSBC	$118	$3,814	$39,182	$5.56	4.7%	0.1%	0.01%	$25.96	22%	0.07%
Smaller										
Popular Community	$12.96	$127	$305	$3.59	28%	2.8%	1.18%	$3.67	28%	1.20%
Ridgewood	$4.86	$92	$2,453	$2.88	59%	3.1%	0.12%	$1.94	40%	0.08%
NYCB	$17.47	$841	$10,682	$6.14	35%	0.7%	0.06%	$5.98	34%	0.06%
Astoria	$10.22	$344	$5,841	$3.17	31%	0.9%	0.05%	$2.43	24%	0.04%
Valley National	$17.92	$2,105	$5,368	$2.82	16%	0.1%	0.05%	$4.19	23%	0.08%
Sterling	$12.05	$375	$2,761	$1.44	12%	0.4%	0.05%	$1.85	15%	0.07%
Flushing	$1.01	$91	$1,672	$0.47	47%	0.5%	0.03%	$0.13	13%	0.01%
BankUnited	$9.87	$63	$3,572	$0.60	6.1%	1.0%	0.02%	$3.68	37%	0.10%
Signature**	$8.95	$14	$4,178	$0.64	7.1%	4.7%	0.02%	$0.23	2.6%	0.01%
Apple**	$7.67	$0	$7,063	$1.04	14%	-	0.01%	$4.02	52%	0.06%
Dime	$0.87	$77	$3,011	$0.38	44%	0.5%	0.01%	$0.20	23%	0.01%
Emigrant	$0.07	$25	$4,095	$0.01	18%	0.0%	0.00%	$0.04	61%	0.00%

** Call Report Data: Consumer Transactional "primarily for individuals for personal, household, or family use": interest-bearing (RCONP753), non-interest bearing (RCONP754); all consumer deposits also includes money market (RCONP756), savings (RCONP758)*
*** Signature and Apple have comparatively low, or no, transactional deposits listed on the call report*

are best practices available, which can be adopted to ensure this does not happen. Overdraft fees are, on average, about $35 per incident, with some banks charging additional fees for accounts overdrawn for extended periods. M&T Bank charges the most at $38.50; however, they do not charge for overdrafts below $5. Capital One, Chase, Santander, TD Bank and Wells Fargo also do not charge for overdrafts below $5, and HSBC does not charge for overdrafts below $10. Some of the smaller banks also follow this practice. Federal regulations require banks to decline overdrafts on ATM and Point of Sale (POS) debit card transactions unless the customer opts in, but that has done little to curb fees. All of the larger banks in our study are now clearly disclosing their fees and practices, but that is not the case at the smaller banks. Not nearly enough banks of all sizes have adopted **Pew's best practices**: *1) No overdrafts on ATM withdrawals*, *2) No overdrafts on debit card transactions*, and *3) No reordering of transactions from highest to lowest*. According to Pew, among the national banks, only Citibank and HSBC have adopted all three best practices listed above on their checking account, and others have adopted at least one.[13] Most large banks in our study meet at least three of the four of **Pew's good practices:** *1) Limited reordering of transactions*, *2) No extended overdraft fee*, *3) Threshold set before an overdraft fee occurs*, and *4) A limited number of overdraft fees per day*. Bank of America and Signature Bank adopted just two. In 2016, TD Bank took the positive step to stop reordering transactions high to low. Most banks offer some other type of overdraft protection, typically linked to a savings account or a line of credit. These depend on having funds in another account or credit approval, and still charge a fee to use, albeit lower than a basic overdraft fee. These tend to be closer to $10–$15 a

13 Pew Charitable Trusts (Dec 2016), "*Consumers Need Protection From Excessive Overdraft Costs" (Note: TD's new practice is not reflected in this study, but the new policy is in their disclosures).*

day. Capital One's online 360 account does not charge for transfers. Few of the smaller banks have adopted the best practices yet.

As Table 10 shows, the largest banks continue to take in tens and hundreds of millions of dollars from overdrafts, and this is often a reflection of their individual policies. For example, Citibank and HSBC do not allow overdrafts on ATM and debit cards, and they reported among the lowest overdraft incomes overall, and the smallest percentages of service fees derived from overdrafts. With this said, it must be noted that the overdraft fees collected at the larger banks are higher overall than the smaller banks. At Citibank, the total amount is still rather high at $115 million, so there is more work to be done there as well. Chase, Bank of America, and Wells Fargo, as well as TD Bank and Capital One, continue to derive much of their fee income from overdraft fees. TD Bank took in the highest amount of overdraft per consumer deposits (19% of consumer transactional deposits, and 0.59% of total consumer deposits), followed by Chase and Wells Fargo. Wells Fargo, too, had among the highest percent of transactional deposits at 10.9%. Chase and Bank of America increased their overdraft income, taking in $1.9 billion and $1.7 billion, respectively, in 2016. We hope that TD Bank's new reordering policy leads to lower overdraft fees in 2017 (though we will not know until after this report is published). We noted a number of overdraft complaints to the CFPB well into 2016. The percentage of service fees from overdrafts was highest at Capital One (47%); their total service fees were lower (6th highest), as were their overdrafts per consumer deposits (0.10%), but that rises to 52% of transactional deposits, and those still amount to over $348 million in service fees and $163 million in overdraft fees in 2016.

While Ridgewood Savings Bank is to be commended for not charging monthly maintenance fees, it continues to stand out on the other extreme as collecting the highest percentage of service charges from overdraft fees: 59%, and one of the highest compared to consumer deposits (0.12% – 3rd highest, and $31% of transactional deposits). This is a lower percentage than in 2015, but that may be because their ATM fees went up so dramatically, and now makeup a larger percentage of service fees than in 2015. Their overdraft fees increased 8% year to year. Flushing Bank collected almost half of its service charges from overdrafts too, but we note that Flushing Bank's total service charges are nearly the lowest among all banks, second only to Dime.

In recent years, we are seeing a new trend of "checkless" checking accounts (online bill pay, but no paper checks) among some of the larger banks. These have no overdrafts at all, similar to what some online banks offer, but provide full access to the bank branches, ATMS, and customer support.

- Bank of America *SafeBalance* costs $4.95 per month, which cannot be waived.
- Citibank *Access Account* costs $10 per month, which can be waived through direct deposit **OR** paying one bill online or by phone per month **OR** maintaining a $1,500 minimum balance.
- Chase *Liquid* prepaid debit card costs $4.95 per month, which cannot be waived. While not a bank account, starting late in 2015, the card operates the same in that it offers online bill pay and transfers to other Chase accounts.

Capital One still offers its online "360 account," which operates in a similar manner in some regards, and could work well for someone comfortable with an online-only account. We understand they are working towards allowing customers to open and access these products from within their branches, and we are eager for that to happen in New York City. We also see efforts being made to help people open the accounts in community-based settings. These accounts have free transfers from savings accounts to cover overdrafts and an overdraft line of credit. People who do not qualify for, or do not have enough to cover the transfer, they still allow customers to opt into standard overdrafts on ATM and debit cards at $35 each (we do note that they allow a full day "grace period" to pay it back).

We appreciate Valley National Bank for developing their new "alternative checking" product in 2016 that does not allow any overdrafts on ATM or debit cards. It also has a low monthly fee of $5 that can be waived in multiple ways.

- **Some banks offer other targeted products, and continue to partner with the City to increase access to banking.**

Government, banks, and community organizations have worked together effectively on a variety of strategies to reach the unbanked and underbanked. Apple Bank, Popular Community Bank, and Santander all offer loans to help people build and repair credit, however, Santander's secure loan requires a minimum savings account of $1,000, which may be hard for some to access. Astoria Bank, Bank of America, Capital One, Citibank, Flushing Bank, TD Bank, and Wells Fargo offer secured credit cards as another means to build and repair credit. Capital One's card has no annual fee, and Astoria Bank has one of the lowest fees after that, at $19 per year, which we encourage Sterling to maintain or even lower. Bank of America's card is one of the most expensive, at $39 per year; they also vary in the interest rates, terms, and other fees they charge.

We were disappointed to learn that Popular Community Bank discontinued their secured credit card in 2016. Chase has not offered a secured credit card or any other credit-building product for many years.

Capital One, Citibank, M&T Bank, and Ridgewood Savings Bank, among others, have partnered with the City and nonprofit organizations to make banking available to more New Yorkers. Most banks have some Saturday hours – only TD Bank is uniformly open on Sundays and some branches stay open daily until 7pm. We understand that some other banks open on Sunday in individual neighborhoods, which also demonstrates a level of responsiveness to local needs. New York State's Banking Development District (BDD) program uses subsidized deposits to encourage banks to open branches and contribute to economic development in underserved neighborhoods. We appreciate the work the New York State Department of Financial Services (DFS) has done to make the application more robust, and hope that leads to more lending and services to benefit the neighborhoods where Banking Development District branches are located. New York Community Bank had been one of the few banks to open a new Banking Development District in recent years. We are pleased to see that in 2017, Ridgewood was approved to open a new BDD branch in Clinton Hill, Brooklyn.

New York City has created models for increasing access to banking, which other cities and employers could follow. For example, by making direct deposit available to employees and connecting them to banking. Similar efforts exist with government benefits. Also, New York City's Office of Financial Empowerment's SafeStart is a "starter account"—a savings account with no monthly fees, and (because it is not a checking account), no overdrafts. It is also coupled with free financial counseling, allowing people a meaningful way to enter or reenter the banking mainstream in order to begin saving and accessing other products, such as transactional checking accounts. This product is offered at Capital One, M&T Bank, Popular Community Bank, and Ridgewood Savings Bank. Citibank is a major funder of the New York City Financial Empowerment Centers. Ridgewood Savings Bank offers its bank as a tax preparation site in the Bronx. Some banks, including Apple Bank and New York Community Bank, also partner with community organizations to open bank accounts when people file taxes.

In 2015, the de Blasio Administration launched IDNYC, to provide everyone, regardless of immigration status, access to a government-issued form of identification[14]. It can bolster access to banking for immigrant community members. Most of the larger banks, and some smaller ones accept alternate forms of identification, such as foreign passports and consular cards. Many banks in this study accept the IDNYC as secondary identification now, but none accept it as primary identification. Chase still does not accept it, even as secondary identification. Popular Community Bank and BankUnited both accepted it as primary identification in 2015 but discontinued the practice in 2016, now only accepting it as secondary identification. Carver, formerly in this study, still accepts it as primary identification. Other banks and credit unions accept the IDNYC, each with various requirements to use it[15]. **This is a recognized form of government identification, which all banks should accept as a primary form of identification so that more community members can gain access to banking.**

The FDIC's Safe Account pilot program provides a template for affordable banking accounts and services targeted to lower-income consumers, such as safe low-dollar loans, remittances, and affordable check cashing.

The NYC Municipal Id, "IDNYC", is a recognized form of government identification, which all banks should accept as a primary form of identification so that more community members can gain access to banking.

The banks mentioned here should be recognized for their individual work, and work with the City and other partners to increase access to banking; however, we also recognize this is not an exhaustive list of efforts being made. What we do know, is that basic banking should not be a niche product. Every New Yorker, especially immigrants and lower-income residents, should have access to banks and affordable products to safely save money and conduct their day-to-day transactions. These products should be widely available and marketed broadly. It is not enough to merely offer a product, but rather banks must market it and demonstrate its effectiveness in making banking and financial services accessible to everyone equitably.

Once again, this report attempts to quantify some of the quality aspects of banking at the banks in this study. We recognize it does not encompass every recommendation, but it gives a sense of which banks are serving more New Yorkers through their branch banking products with regards to overdraft policies, monthly fees, and efforts to reach unbanked and underbanked New Yorkers. These are based on local needs as well as the Pew Overdraft recommendations and the BankOn National Standards[16].

14 https://www1.nyc.gov/site/idnyc/about/about.page
15 https://www1.nyc.gov/site/idnyc/benefits/banks-and-credit-unions.page
16 http://www.joinbankon.org/wp-content/uploads/Bank-On-National-Account-Standards-2015-2016-Final.pdf

ACCESS TO BANKING SCORE (REFERRED IN TABLE 11):

- **Disclosure box** (1 point)
- **6 Key Overdraft Practices** (1 point each): Cannot opt in to ATM overdrafts; cannot opt in to POS debit card overdrafts; no reordering transactions (highest to lowest increases the overdraft fees); limits on overdrafts per day and fees (# of penalties charged per day); threshold before overdraft charged; and no extended overdraft fee
- **Qualities of a Safe Account** (1 point each): unlimited transactions; minimum opening deposit $25 or less; monthly maintenance fee $5 or less if not waivable OR $10 or less if at least two options to waive fee with a single transaction (e.g. direct deposit with no minimum deposit, online bill pay or debit card purchase); not structurally possible to incur overdraft or non-sufficient fund fee; and no dormancy or inactivity Fees
- **Secured Credit Card / Credit building / LMI products** (1 point)
- **IDNYC** (1 point): Primary ID; ½ point secondary ID
- **Partner** (1 point each): Partner with community; partner with City

Table 11: ACCESS TO BANKING

Bank	fee/ mo	Ways to Waive Fees, if possible	Subset of Overdraft Practices on full checking account 2014	Safe, Low-cost Account	Products/Partnership/IDNYC	2015 score
Chase	$12	Direct Deposit ($500+ / mo) OR $1500 min OR linked accts $5000 OR pay $25 in fees	**4 of 7**: Disclosure box; no OD ATM; limit # OD's per day; threshold $5 before OD		**IDNYC 2016**: No	9
	$4.95	Chase Liquid prepaid debit card. Can't waive fee	**No overdraft charges**: allows online bill pay like "checkless" checking accounts	**5 of 5**: Unlimited transactions; Min to open ≤$25; fee < $5; no dormancy fee; no overdraft		
Bank of America	$4.95	Safe Balance Account. Can't waive fee	**No Overdraft charges.**	**5 of 5**: Unlimited transactions; Min to open ≤$25; fee <$5; no overdraft/NSF fee; no dormancy fee	Secured credit card **IDNYC 2016: Secondary**	9.5
	$12	Direct Deposit (min one for $250) Or min balance $1,500	**3 of 7**: Disclosure box; no OD POS Debit; limit # OD's per day			
Citibank	$10	Access Account. Direct Deposit OR 1 bill pay per month OR $1500 min balance	**No Overdraft charges**	**5 of 5**: Unlimited transactions; Min to open ≤$25; fee $10 waived with single transaction; no overdraft/ NSF fee; no dormancy fee	**Partner** with **City** and **Community** groups Secured credit card **IDNYC 2016: No (secondary in 2017)**	13.5
	$10	Basic Checking: Direct Deposit AND 1 bill pay/mo OR $1500 min balance	**6 of 7**: Disclosure box; no OD POS; no OD on ATM; No Reordering high-to-low; Limit # OD per day; no extended OD fee			
	$7/ $10	Direct Deposit (total $500+) Or $1500 min. Online banking & bill pay is $3/mo (can't waive)	**5 of 7**: Disclosure box; No Reordering high-to-low; Limit #OD per day; Threshold $5 before OD charge; No extended	**3 of 5**: Unlimited transactions; Min to open ≤$25; no dormancy fee	secured credit card **IDNYC 2016: Secondary**	

Wells Fargo	$10 / $15 with svgs	10 DC purchase OR Direct Deposit ($750+) OR $2000 min. Waive $5 svgs acct fee: certain X-fers to savings OR $300 min	overdraft fee			8.5
HSBC	$3	8 free checks / withdrawals, $0.35 per withdrawal after	**6 of 7:** no OD POS; no OD on ATM; No Reordering high-to-low; Limit #OD per day; Threshold $5 before OD; No extended overdraft fee	**3 of 5:** Min to open ≤$25; fee <$5; no dormancy fee	**IDNYC 2016: Secondary**	10.5
	$15	direct deposit or $1,500 min balance		**3 of 5:** Unlimited transactions; Min to open ≤$25; no dormancy fee		
Capital One	$8.95	$300 min balance, or direct deposit of $250 or more	**4 of 7:** Disclosure Box; Limit #OD per day; Threshold $5 before OD; No extended overdraft fee	**2 of 5:** Unlimited transactions; no dormancy fee	**Partner** with **City** and **Community** groups	9.5
	$0.00	*360 Checking: all online, not in branches - no access to tellers;* On AllPoint ATM network	Overdraft line of credit: low interest on OD.	(not a branch product, not used in score)	Secured credit card **IDNYC 2016: Secondary**	
TD Bank	$5.99	TD Simple: can't waive	**3 of 7:** Disclosure Box; Threshold $5 before OD charge; no reordering high to low	**3 of 5:** Unlimited transactions; Min to open <=$25; no dormancy fee	**Partner** with **City** Secured credit card **IDNYC 2016: Secondary**	9.5
	$15	TD Convenience: $100 min				
M&T Bank	$3	Can't waive, but no min balance	**2 of 7:** No Reordering high-to-low; Threshold $5 before OD charge	**4 of 5:** Unlimited transactions; Min to open ≤$25; fee < $5; no dormancy fee	Partner with city and Community groups **IDNYC 2016: No**	10
	$9.95	One deposit or one withdrawal each month		**4 of 5:** Unlimited transactions; Min to open ≤$25; fee <$10 - waived with one transaction; no dormancy fee		
Santander	$3	No min balance	**3 of 7:** Disclosure Box; No Reordering high-to-low; Threshold $5 before OD charge; Limit # OD per day	**2 of 5:** Min to open ≤$25; fee < $5;	**IDNYC 2016: Secondary**	7.5
	$10	$750 ave. daily balance for the month, or direct deposit of $500+ -> can get free svgs acct		**3 of 5:** Unlimited transactions; Min to open ≤$25; $10/mo can be waived with one transaction		
Valley National Bank	$3	8 free checks / withdrawals, $0.50 per withdrawal after	**4 of 7:** disclosure, no reordering high-to-low; Limit #OD per day; Threshold $10 before OD charge	Min to open ≤$25; fee <$5/mo;	**IDNYC 2016: Secondary**	
	$15	daily balance $99 per month				
	$5	*Alternative checking:* direct deposit of $250; or 3 VBankWorks® payments or 10 debit transactions	No OD POS; no OD on ATM; No Reordering high-to-low; Limit #OD per day; Threshold $5 before OD;	**3.5 of 5:** Unlimited transactions; Min to open ≤$25; fee $5 can be waived; No overdraft / reduced cost NSF;		8
Popular Community Bank	$0.00	Free Checking **[Discontinued in 2017]**	**2 of 7:** No Reordering high-to-low; Threshold $5 before OD charge	**4 of 5:** Unlimited transactions; Min to open ≤$25; no maint. fee; no dormancy fee	Partner with **City** and **Community** groups, **credit-building loans** **IDNYC 2016: secondary**	9.5
	$10 + $2	**Everyday Checking:** $10 waived with $1000 monthly balance or DD $750 $2 waived with e-statements		**3 of 5:** Unlimited transactions; Min to open ≤$25; no dormancy fee		
	$3	free up to 8 debits, then $1.50/debit after that **no fee for non-Signature ATMs**	**2 of 7:** No Reordering high-to-low; No extended overdraft fee	**3 of 5:** Min to open ≤$25; fee < $5; no dormancy fee	**IDNYC 2016: Secondary**	

Signature Bank	$20	$4,000 min OR $15K linked accts no fee for non-Signature ATMs		**3 of 5:** Unlimited transactions; Min to open ≤$25; no dormancy fee		5.5
NYCB	$2	sign up for e-statements (always free for students)	**5 of 7:** no OD on ATM or POS; Limit # OD per day; Threshold $10 before OD; no extended overdraft fee [Only OD by transferring from another account. $15/day, not per OD]	**4 of 5:** Unlimited transactions; Min to open ≤$25; low/no maint. Fee ($2 w/ paper statement; $0 otherwise); no dormancy fee	Partner with **city** and **Community** groups **IDNYC 2016: Secondary**	10.5
Astoria Bank	$3.00	Direct Deposit ($250) OR avg. balance $250/mo & account must be active over 3m period ($10 inactivity fee)	**3 of 7:** No Reordering high-to-low; Limit # OD per day; no extended OD fee	**3 of 5:** Unlimited transactions; Min to open ≤$25; $3 - can be waived	Secured credit card **IDNYC 2016: Secondary**	8.5
Apple Bank	$3.00 $0.00	no min. balance ($10 to open) no min. balance ($100 to open)	**4 of 7:** No Reordering high-to-low; Limit # OD per day; Threshold $5 before OD charge; no extended OD fee	**3 of 5:** Min to open ≤$25 ($10); fee < $5; no dormancy fee **3 of 5:** Unlimited transactions; no monthly fee; no dormancy fee	Partner with **community groups** Credit building loans **IDNYC 2016: Secondary**	9.5
Ridgewood Savings Bank	$3	Direct Deposit OR sign up for online banking OR maintain $2,500 balance	**2 of 7:** - No Reordering high-to-low; no extended OD fee	**4 of 5:** Unlimited transactions; Min to open ≤$25; low/no maint. Fee ($0 or $3 w/ paper statement); no dormancy fee	Partner with **city** and **community** groups **IDNYC 2016: Secondary**	7.5
Sterling	$10	e-checking. 15 free transactions; $0.50 per transaction after	**3 of 7:** No Reordering high-to-low; no extended OD fee; limit OD per day	**3 of 5:** Min to open ≤$25; $10 can be waived; no dormancy fee		6.0
Dime	$0.00		**3 of 7:** No Reordering high-to-low; Threshold $10 before OD; no extended OD fee	**4 of 5:** Unlimited transactions; Min to open ≤$25; no maint. fee; no dormancy fee	**IDNYC 2016: Secondary**	7.5
Flushing Bank	$0.00		**1 of 7:** No extended overdraft fee	**4 of 5:** Unlimited transactions; Min to open ≤$25; no maint. fee; no dormancy fee	Partner with **City**: Secured credit card **IDNYC 2016: Secondary**	7.5
BankUnited	$0.00	Value Checking	**5 of 7:** no OD POS; no OD on ATM; No Reordering high-to-low; Threshold $5 before OD charge; no extended OD fee	**4 of 5:** Unlimited transactions; Min to open ≤$25; no maint. fee; no dormancy fee	**IDNYC 2016:** Secondary	8.5

RECOMMENDATIONS

As in all sections, we encourage that banks and bank regulators follow the core principles discussed earlier, as well as integrate the following recommendations into their CRA related practices:

- **Banks should open and maintain branches in under-served areas.**
  - » 25% of a bank's branches should be in low- and moderate-income tracts, and 10% in low-income tracts in particular.
  - » Banks should open branches in areas that are unbanked or underbanked and partner with local nonprofits to ensure they reach new customers successfully through their products and practices.

- **Every bank should offer safe affordable bank accounts.**
  - » **Offer one account with the following qualities:**
    - Minimum Opening Deposit $25 or less
    - Unlimited Transactions and monthly Maintenance Fee $5 or less if not waivable OR $10 or less if at least <u>two options</u> to waive fee with a single transaction (e.g. direct deposit with no minimum deposit, online bill pay, or debit card purchase)
    - Not structurally possible to incur overdraft or non-sufficient fund fee
    - No dormancy or inactivity fees
  - » Accept **alternate forms of identification** in addition to a social security card to open an account. All banks should **accept the IDNYC as primary identification**.
  - » Allow people with prior banking issues a way to reenter the banking mainstream.
  - » For all checking accounts, **adopt the Pew guidelines for best practices** on overdraft policies and disclosures (i.e. no overdrafts on ATM and debit cards and no reordering of transactions from high to low).
  - » It is not enough to simply offer new products – they must be advertised and promoted widely, available everywhere, and understood and marketed by all branch staff so that any customer will have it readily available to them. Banks should demonstrate their effectiveness and modify products that are not reaching underserved populations.
- **Offer branch products and implement practices to serve lower-income and immigrant communities.**
  - » Partner with the City and nonprofits that provide high-quality financial counseling and education related to all aspects of banking and access to credit.
  - » Provide services to non-native speakers with staff, materials, and products that reflect the local languages and cultures.
  - » Offer variable hours – in person and by phone – to accommodate people who cannot get to a bank during the business day.
  - » Offer affordable products that meet the needs of lower-income communities: small dollar loans to help build or repair credit, remittances, and access to credit for homes and small businesses.
- Regulators should evaluate the impact of the branch locations: existing, closed and opened. They should also evaluate the products offered closely, as well as their impact on access to banking and credit for low- and moderate-income people and communities.

1-4 FAMILY LENDING

BACKGROUND

As much as New York City is a city of renters, nearly a third of New Yorkers own their own homes, and this rate has not moved much since 2005. Homeownership is an important source of housing and asset-building for many New Yorkers. At the same time, small 2-4 family homes can be both a source of income for the homeowner, and affordable housing for renters. Unfortunately, high home prices, coupled with the rise in low-wage jobs, lack of access to credit and financial assistance, and persistent racial disparities, has been putting homeownership further out of reach for lower-income New Yorkers, immigrants, and people of color.

New York State has one of the highest home prices in the nation. According to a recent Trulia report, the median and average home prices were fourth highest in the country.[17] Prices in New York City are particularly high and rising. Each month, the Federal Reserve Bank of New York reports on home prices as compared to the previous year, and since 2012 the prices of homes throughout New York City were found to be higher than they were the previous year. As of October 2017, home prices in Queens were 8.8% higher than the year prior; in Brooklyn, that percentage increase was 5.5%; and in the Bronx, it was 5.8%.[18] Co-ops are typically the most affordable option for purchase, and their prices are rising as well. According to one industry publication, the median sales price of co-ops in Manhattan have been steadily increasing since 2012, reaching just under $800,000 in 2017.[19] Prices are lower in the rest of the city, but still high and also rising. For example, as of the fourth quarter of 2017, the median sales price for coops in Queens was $275,000, also up from years prior.[20] Condos and 1-4 family homes are even higher.

Mortgage interest rates have been relatively low for many years, well below pre-recession levels. Interest rates in 2017 have been hovering between 3.5% and 4.5% since 2012; however, they seem to be inching up more now. The combination of increased equity that comes with rising home prices and low interest rates likely contributed to the refinance boom nationwide in 2012, but they dropped off sharply in 2013 and continued to decline into 2014, only starting to come back again in 2015 and 2016. Meanwhile, the foreclosure crisis is not over and continues to impact communities of color.

The City and financial institutions—especially those covered by the CRA, have an obligation to ensure that the opportunity of homeownership is available to all people, most especially lower-income and minority people and communities throughout the City. The CRA, Fair Housing laws, and HMDA, all came about in the late 1970s, as a result of redlining and discriminatory housing policies and practices that prevented these community members from entering homeownership. Under the CRA, banks are required to reinvest equitably in all of the communities from which they take deposits, including low- and moderate-income people and neighborhoods. For example,

17 https://www.trulia.com/home_prices/
18 https://www.newyorkfed.org/home-price-index/index.html
19 https://www.elliman.com/pdf/d886d7d179b6404fcb1ad9ecf2b66420472d8cfc
20 https://www.elliman.com/pdf/1402f486d18f1ef142caec278127da8a243cc5a6

banks are not allowed to take deposits in the Mott Haven neighborhood of the Bronx, and use those dollars to lend only in the nearby, wealthier Riverdale community. While the high cost of homes in our region certainly makes this obligation challenging, it is necessary to ensure fair banking practices. To this end, as part of the CRA lending test, banks are evaluated on the volume of their 1-4 family home lending inside and outside their assessment areas and the percentages of loans to low- and moderate-income people and in low- and moderate-income geographies. Under the CRA, loans originated by the bank are treated the same as loans they purchase from another institution. ANHD believes that originated loans are much more impactful in directly reaching current and potential homeowners.

ANHD has also been advocating for updates to the CRA to address historic omissions and more recent developments in banking. The CRA came about during a time of overt discrimination and should never have been color-blind. The CRA is still color-blind, aside from a fair lending component that is rarely utilized. Banks are not systematically evaluated for their lending to borrowers of color as part of their affirmative obligation under the CRA. Meanwhile, the banking world has changed while the CRA has not kept up. Independent non-bank mortgage companies funded by institutional investors rather than deposits are not covered by the CRA; non-bank affiliates are optional for banks to include on their CRA exams; and assessment areas continue to be set based on branch location, which could exclude loans in areas made by online lenders or banks that do not have a local branch presence.

Banks have an obligation to address homeownership credit needs, especially under the CRA. We believe that banks, in partnership with the government and nonprofits, can help keep struggling homeowners in their homes and give others the opportunity of affordable homeownership. In this section of the report, we analyze first-lien loans to purchase and refinance owner-occupied, 1-4 family homes, with a new analysis this year of home improvement lending (first-lien and subordinate-lien).

PRINCIPLES

- **Banks should be meeting the credit needs of all New Yorkers.**

CRA-covered lenders have an obligation to meet the credit needs of all New Yorkers equitably. Banks should increase access to homeownership and equity by originating loans to lower-income people, immigrants, and people of color to purchase, refinance, and improve their homes. As described below, when banks pull back, nonbanks step in, and they are less regulated and more likely to engage in abusive behaviors as regulations decrease and the market heats up.

- **Banks should institute quality home loan programs for lower-income people, immigrants, and people of color.**

The goal of the CRA is to help meet the credit needs of low- and moderate-income people and neighborhoods. We believe that responsibility should also extend to borrowers of color. Banks must take an intentional approach to reaching these borrowers with quality affordable products and supports to ensure the best chance of success. This involves affordable portfolio and government sponsored products, financial assistance, and culturally appropriate staffing and outreach. Banks should partner with nonprofit community-based organizations that provide homeownership counseling, credit counseling, and staff who can help guide borrowers through the process.

- **Update the CRA so that all lenders are held to the highest standards of equitable and fair lending.**

Increasingly, we are seeing a rise in non-bank mortgage lenders, as well as online lending by banks and non-banks. While we note fewer affiliate lenders at the largest banks, they continue to exist in this space. Nonbank lenders are particularly active in making loans insured by the Federal Housing Administration (FHA loans) to borrowers of color. FHA loans allow for lower down payments, which is critical for many homebuyers and homeowners. FHA loans serve a purpose, and are not predatory, but they are higher cost than conventional loans, and there is a concern that people who qualify for conventional loans, or more affordable CRA loans, may be steered into FHA loans. Leading up to the crisis, there was evidence that the percentage of high-cost loans were highest among non-bank lenders, followed by bank lenders outside of their assessment areas. The lowest percentages of high cost loans were among CRA-covered lenders within their assessment areas.[21] We need to modernize the CRA to reflect better how and to whom loans are made; this means assessing all non-bank lenders and affiliates, expanding assessment areas to reflect where banks lend as well as where they have branches, and include an affirmative obligation to serve borrowers of color.

TRENDS & FINDINGS

- **Citywide, Home Purchase, Refinance, and Home Improvement lending increased from 2015 to 2016. The 21 retail banks in this study lagged citywide trends in almost all categories**

TABLE 12: 1-4 FAMILY LENDING IN NEW YORK CITY

Home Purchase Lending (1-4 family, owner-occupied, first-lien)													
	Retail Bank Lenders in ANHD study							All Lenders in NYC					
	2013	2014	2015	2016	2013-16	2015-16		2013	2014	2015	2016	2013-16	2015-16
Total	16,229	14,003	14,288	14,226	-12%	-0.4%		28,249	26,067	27,328	28,186	-0.2%	3.1%
Total ($)	$8,138	$7,632	$8,604	$9,150	12%	6.3%		$13,783	$13,410	$15,160	$16,515	20%	8.9%
… To LMI (#)	1,398	1,210	1,250	1,122	-20%	-10%		2,317	2,173	2,310	2,352	1.5%	1.8%
… To LMI ($)	$211	$181	$199	$190	-9.9%	-4.3%		$405	$375	$426	$472	17%	11%
% to LMI (#)	8.6%	8.6%	8.7%	7.9%	-8.4%	-9.8%		8.2%	8.3%	8.5%	8.3%	1.2%	-2.4%
% to LMI ($)	2.6%	2.4%	2.3%	2.1%	-20%	-10%		2.9%	2.8%	2.8%	2.9%	-2.8%	1.6%

21 http://www.woodstockinst.org/sites/default/files/attachments/payingmore3_april2009_collaboration_0.pdf

Refinance Lending (1-4 family, owner-occupied, first-lien)												
	Retail Bank Lenders in ANHD study						All lenders in NYC					
	2013	2014	2015	2016	2013-16	2015-16	2013	2014	2015	2016	2013-16	2015-16
Total	14,876	4,131	5,847	6,133	-59%	4.9%	27,809	11,131	16,679	18,442	-34%	11%
Total ($)	$5,643	$1,824	$2,910	$3,311	-41%	14%	$11,143	$4,821	$7,730	$9,008	-19%	17%
… To LMI (#)	1,222	496	512	505	-59%	-1.4%	2,525	1,388	1,491	1,529	-39%	2.5%
… To LMI ($)	$177	$72.32	$75.33	$82.17	-54%	9.1%	$478	$263	$309	$309	-35%	-0.2%
% to LMI (#)	8.2%	12.0%	8.8%	8.2%	0.2%	-6%	9.1%	12.5%	8.9%	8.3%	-8.7%	-7.3%
% to LMI ($)	3.1%	4.0%	2.6%	2.5%	-21%	-4.1%	4.3%	5.4%	4.0%	3.4%	-20%	-14%

Refinance Lending (1-4 family, owner-occupied, first-lien)												
	Retail Bank Lenders in ANHD study						All lenders in NYC					
	2013	2014	2015	2016	2013-16	2015-16	2013	2014	2015	2016	2013-16	2015-16
Total	14,876	4,131	5,847	6,133	-59%	4.9%	27,809	11,131	16,679	18,442	-34%	11%
Total ($)	$5,643	$1,824	$2,910	$3,311	-41%	14%	$11,143	$4,821	$7,730	$9,008	-19%	17%
… To LMI (#)	1,222	496	512	505	-59%	-1.4%	2,525	1,388	1,491	1,529	-39%	2.5%
… To LMI ($)	$177	$72.32	$75.33	$82.17	-54%	9.1%	$478	$263	$309	$309	-35%	-0.2%
% to LMI (#)	8.2%	12.0%	8.8%	8.2%	0.2%	-6%	9.1%	12.5%	8.9%	8.3%	-8.7%	-7.3%
% to LMI ($)	3.1%	4.0%	2.6%	2.5%	-21%	-4.1%	4.3%	5.4%	4.0%	3.4%	-20%	-14%

Home Improvement Lending (1-4 family, owner-occupied, first-lien & subordinate liens)												
	Retail Bank Lenders in ANHD study						All NYC lenders					
	2013	2014	2015	2016	2013-16	2015-16	2013	2014	2015	2016	2013-16	2015-16
Total	1,125	869	1,095	1,082	-3.8%	-1.2%	1,820	1,432	1,754	1,931	6.1%	10%
Total ($)	$288	$216	$340	$376	30%	11%	$495	$391	$540	$635	28%	18%
… To LMI (#)	155	158	194	191	23%	-1.5%	236	241	302	277	17%	-8.3%
… To LMI ($)	$9.41	$8.89	$9.27	$11.27	20%	22%	$18.56	$14.73	$19.48	$22.90	23%	18%
% to LMI (#)	13.8%	18.2%	17.7%	17.7%	28%	-0.4%	13.0%	16.8%	17.2%	14.3%	11%	-17%
% to LMI ($)	3.3%	4.1%	2.7%	3.0%	-8.2%	9.9%	3.7%	3.8%	3.6%	3.6%	-3.8%	-0.1%

Citywide, the number of home purchase loans overall have been steadily increasing since 2011, but, with the exception of a dip in 2014, the number of loans to low- to moderate-income borrowers have hovered around 2,300 loans each year, representing just over 8% of all loans annually for the past 4 years. After a steep drop in 2013, refinance lending has been increasing overall and to LMI borrowers since then. The percentage of loans to LMI borrowers is still at its lowest rate in the past six years, with just 8.3% of all refinance loans in 2016 to LMI borrowers.

Looking back four years, to 2013, the banks in this study trailed bank trends citywide in a few key areas. They decreased the number of home purchase loans by 12% while lending overall was steady. Their home purchase lending to LMI borrowers trailed citywide trends year over year and over the past four years, declining significantly while the number of loans increased slightly citywide. Similarly, their refinance lending lagged lenders overall year over year, and over the 2013-16 timeframe. Their refinance lending increased 5% versus 11% citywide in 2016, and decreased 60% from 2013 versus 34% decline overall. Increasingly, home improvement lending is surfacing as a strong need to help homeowners stay in their homes. Home improvement lending declined over the past four years among banks in this study, whereas lending citywide increased. The only area where banks in this study outperformed the market was in home improvement lending to LMI borrowers.

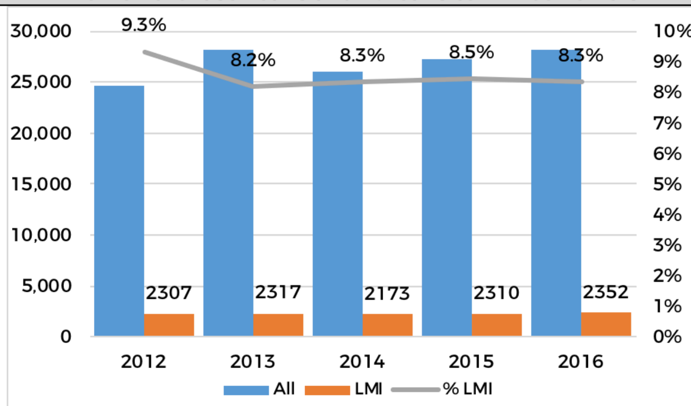
- **The percentage of loans to lower-income borrowers declined slightly and racial disparities persist.**

Citywide and among banks in this study, the percentage of loans to LMI borrowers declined. Among banks in this study, just 7.9% of home purchase loans were to LMI borrowers, versus 8.3% citywide. As mentioned in the intro, the lower percentages are partly due to lack of inventory and supply, but given the volume at other lenders outside of this study – banks and non-banks – that is not the only reason.

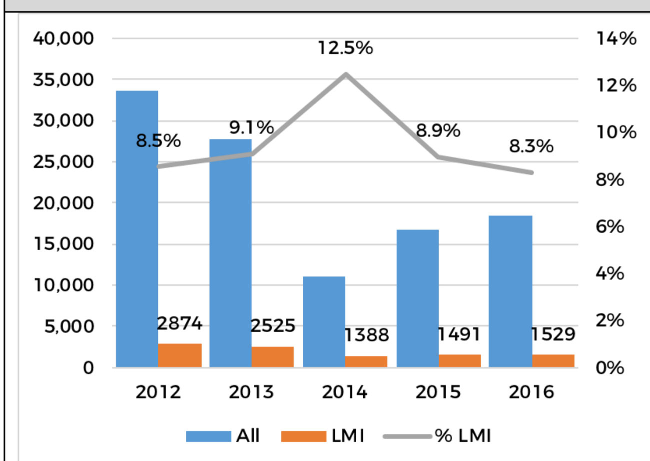
Some of the disparities have to do with the rise of nonbank lenders (as will be discussed farther down), but some of it also has to do with other banks filling the void as the larger banks are pulling back overall and particularly in FHA and SONYMA lending. This is more the case with home purchase lending where banks like Citizens, First American International Bank, and Federal Savings Bank are now among the top 10 lenders citywide. Citizens Bank's lending more than doubled from 2015 to 2016. Among refinance lending, non-bank lenders are rapidly increasing their presence. Banks need to affirmatively market the CRA products they offer.

TABLE 13: CITYWIDE TRENDS AMONG ALL LENDERS IN NEW YORK CITY

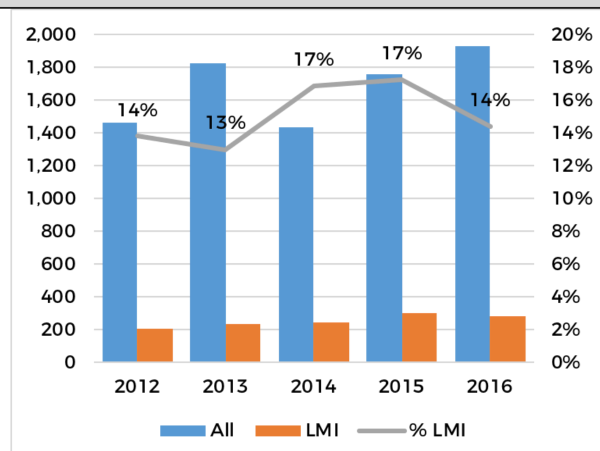
Home Purchase Loans and % loans to LMI borrowers



Refinance Loans and % loans to LMI borrowers



Home Improvement loans and % to LMI borrowers



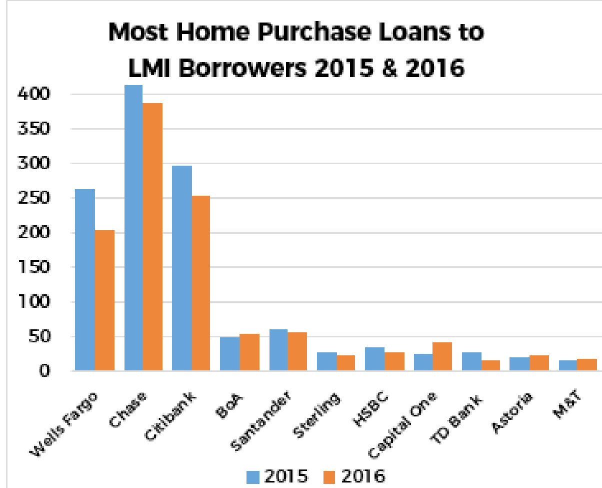
We also continue to look at the share of loans made by the "Big Four banks" – Bank of America, Chase, Citibank, and Wells Fargo. Their collective share of lending has been declining in New York City and nationwide, particularly, in the refinance lending category. **We also note a sharp drop in their share of home purchase loans to LMI borrowers, going from close to 44% from 2012-15 and then down to 38% in 2016.** Wells Fargo maintains a large presence in the mortgage market, but their share has been declining steadily over the years overall and to low- to moderate-income borrowers. Starting in 2013, Chase has been making more loans to lower-income borrowers than Wells Fargo. While Chase continues to have the highest volume

TABLE 14: HIGHEST PERCENTAGES OF 1-4 FAMILY LOANS TO LOW- AND MODERATE-INCOME BORROWERS (BANKS IN THIS STUDY)

Home Purchase Loans	2015			2016		
	All	... To LMI	% LMI	All	... To LMI	% LMI
Largest						
M&T	102	15	15%	89	19	21%
Capital One	123	26	21%	249	41	16%
Santander	533	61	11%	478	56	12%
TD Bank	225	27	12%	224	17	7.6%
Smaller						
BankUnited	35	4	11%	23	8	35%
Astoria	169	21	12%	150	23	15%
Emigrant	23	1	4.3%	27	3	11%
Valley National	5	2	40%	14	1	7.1%

Refinance Loans	2015			2016		
	All	... To LMI	% LMI	All	... To LMI	% LMI
Largest						
HSBC	191	32	17%	189	37	20%
Capital One	67	16	24%	118	19	16%
M&T	50	4	8%	54	8	15%
Santander	202	24	12%	203	13	6.4%
NYCB	42	5	12%	42	9	21%
Emigrant	29	5	17%	21	3	14%
Valley National	41	5	12%	51	6	12%

Home Improvement Loans	2015			2016		
	All	... To LMI	% LMI	All	... To LMI	% LMI
Santander	16	1	6.3%	17	4	24%
Capital One	69	19	28%	119	27	23%
TD Bank	230	45	20%	230	51	22%
Citibank	270	75	28%	315	65	21%
M&T	15	3	20%	11	2	18%
Smaller						
Popular Community	50	14	28%	24	7	29.2%
Valley National	15	1	6.7%	11	2	18.2%
Emigrant	28	6	21%	15	2	13.3%



of lending to lower-income borrowers, for the first time in many years, Citibank surpassed Wells Fargo in this category as well in 2015. In 2016, only Bank of America increased loans to LMI borrowers and that was just by five loans. Chase, Citibank and Wells Fargo's loans to lower-income borrowers declined in 2016 (down 52 at Wells Fargo, down 26 at Chase and down 42 at Citibank). Some of Wells Fargo's decline in prior years may be due to the end of their CityLift program. CityLift was created in the wake of a 2012 settlement agreement with the Department of Justice related to fair housing violations where African-American and Hispanic borrowers were charged more or were improperly steered to subprime loans.[22]

- **Racial disparities continue to persist in home lending: 22% of New Yorkers are Black and 29% Latino, yet in 2016, only 8.6% of home purchase loans in New York City went to non-Hispanic Black borrowers and 8.4% went to Latino borrowers of any race.**

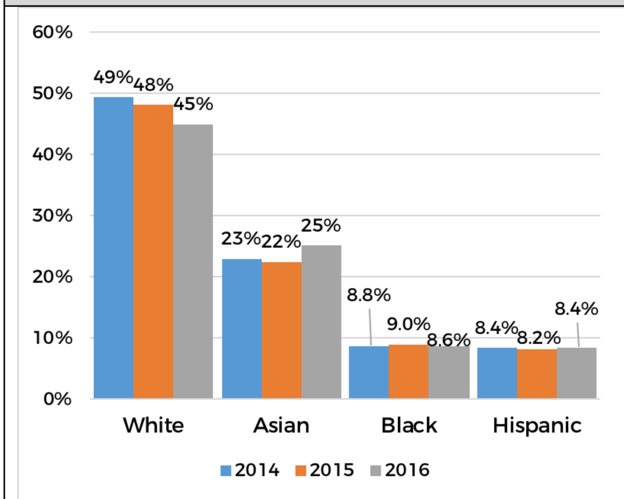
Racial disparities continue to persist in home lending, with just a few banks showing leadership in lending to people of color. 22% of New Yorkers are Black and 29% Latino, yet in 2016, only 8.6% of home purchase loans in New York City went to non-Hispanic Black borrowers and 8.4% went to Latino borrowers of any race. This has barely changed from 2014 and 2015, and we see similar percentages among refinance loans.

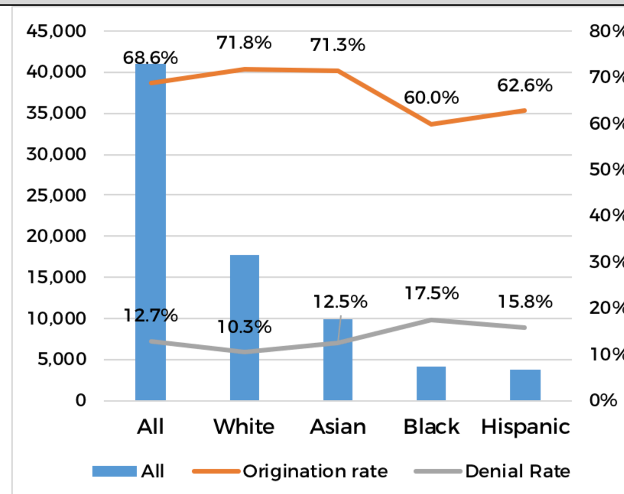
22 https://www.justice.gov/opa/pr/justice-department-reaches-settlement-wells-fargo-resulting-more-175-million-relief

Origination rates among Black and Latino borrowers was flat (60% for Blacks, and 63% for Latinos), while denial rates went down very slightly in all categories. Yet, it should also be noted that origination rates for Black and Latinos are consistently lower than White and Asian borrowers, while denial rates are higher.

Table 15: RACE ANALYSIS 2016 HMDA HOME PURCHASE LOANS (ALL LENDERS)

% of all home purchase loans by race/ethnicity 2014-16	Home Purchase Origination/Denial Rates (2016)





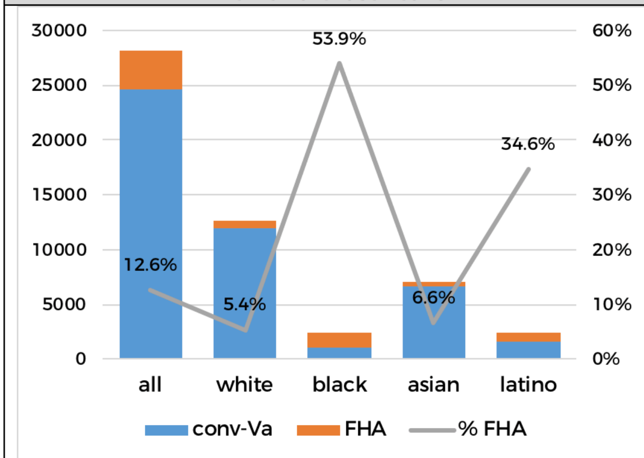
We also note that a disproportionately high share of FHA loans went to Black and Latino borrowers. For example, while just 5.4% of home purchase loans to White borrowers were FHA loans, 54% of loans to Black borrowers and 35% of loans to Latino borrowers were FHA loans. Similar disparities appear in refinance loans. While we certainly understand the value of FHA loans, they are more expensive and it raises questions as to whether qualified borrowers of color are being steered to FHA loans rather than conventional loans. This is particularly concerning given that 81% of all FHA loans are made by non-bank lenders.

At each of the "Big Four" banks, fewer than 5% of their home purchase loans were to non-Hispanic Black borrowers, and fewer than 7% were to Latino borrowers of any race in 2016. Just 2.9% of Chase's loans were to Black borrowers, down from 3.7% in 2015. Bank of America had the lowest percentage to Latino borrowers at 3.1%, down from 4.7% in 2015. In general, the trends among the smaller banks are worse; however, we do note that Sterling, new to our study, made 26 loans (7%) to Black borrowers and 33 (8%) to Latino borrowers. No other bank under $50 billion in assets made more than seven loans to Black borrowers and only Astoria Bank made over 10 loans to Latino borrowers (12 loans, 8%). We are concerned, then, with Astoria having been acquired by Sterling, and Sterling discontinuing all but their "CRA lending" moving forward. CRA lending is lending to LMI borrowers and in LMI tracts. In 2016, 15% of Sterling's LMI loans were to Black borrowers, and 6% of their loans were to Latino borrowers, and just over a third were in LMI tracts. This is better than the trends citywide, and we urge them to place particular attention on how their CRA lending will continue to reach borrowers of color.

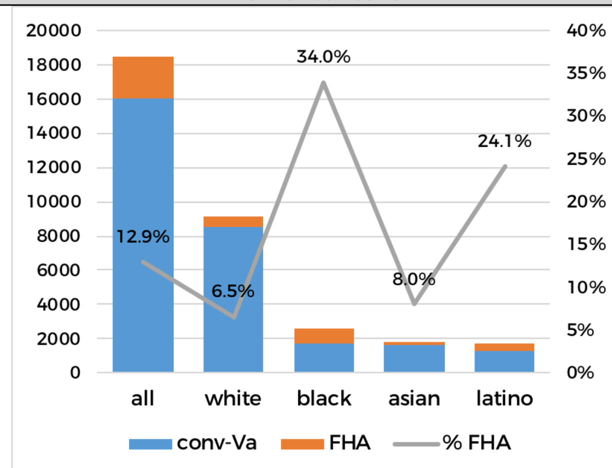
Once again, Capital One, TD and M&T had the highest percentage to Black and Latino borrowers among the largest banks. Capital One and M&T Bank have historically led in lending to borrowers of color, but in 2016, Capital One's percentage declined considerably (by half, from 14% to 7%). Their volume increased overall, but the number of loans to Black borrowers went up only slightly. TD Bank was close behind at 7%, and M&T's percentage jumped due to both a decline overall, and an increase in loans to Black borrowers from 18 to 35. A total of 8% and 11% of Capital One's loans were to Black and Latino borrowers, respectively. At M&T Bank the percentages were higher, at 39% to Black borrowers, and 13% to Latino borrowers. M&T has also been complying with a court order related to their acquisition of Hudson City that required the bank to improve its lending to minority borrowers and in minority neighborhoods.

TABLE 16: FHA LOANS BY RACE: HOME PURCHASE / REFINANCE AND % OF ALL LOANS THAT ARE FHA BY RACE/ETHNICTY (ALL LENDERS)

Home Purchase Loans



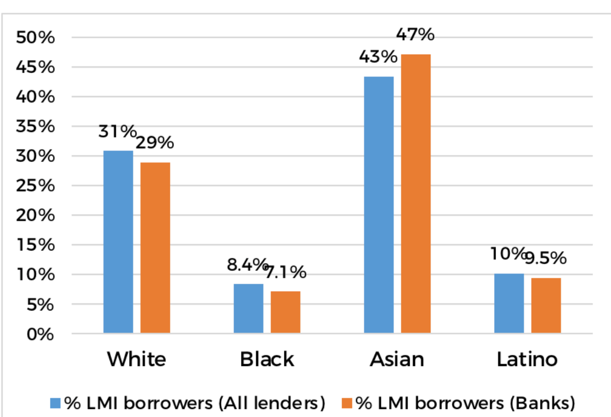
Refinance Loans



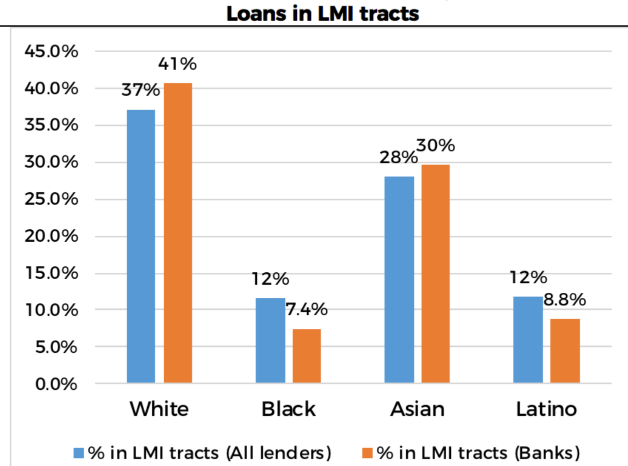
One common argument made to defend the CRA's color-blindness, is that people of color comprise low- and moderate-income borrowers and neighborhoods disproportionately, and by default benefit most from the CRA. While it may be the case that lower-income people of color do benefit from the CRA, we also know that redlining and discrimination affects people of all income levels. In fact, HMDA data demonstrates that Black and Latino borrowers remain underserved in "CRA loans" (loans to LMI borrowers and in LMI tracts). The percentage of CRA loans to Black and Latino borrowers match similar trends to all lending citywide. Blacks and Latinos make up just 8.4%

TABLE 17: "CRA LOANS" BY RACE (ALL LENDERS) (LOANS TO LMI BORROWERS AND IN LMI TRACTS)*

"CRA Home Purchase Loans" by Race: Loans to LMI borrowers



"CRA Home Purchase Loans" by Race: Loans in LMI tracts



** There is overlap between the two categories, which is why we look at them separately* and 10% of home purchase loans to LMI borrowers, respectively. This increases to 12% each when looking at loans in LMI tracts, which includes some LMI borrowers. Looking at CRA-covered lenders alone, the percentages to Black and Latino borrowers decline. The CRA should include an affirmative obligation to increase access to home loans for people of color.

TABLE 18: RACIAL BREAKDOWN OF 1-4 FAMILY HOME PURCHASE LOANS (2016)

Largest	All	White		Black		Asian		Other		Latino		Race N/A		Ethn N/A	
Wells Fargo	4310	2686	62%	153	3.5%	816	19%	16	0.4%	297	7%	342	7.9%	332	7.7%
Chase	3767	1575	42%	108	2.9%	1353	36%	10	0.3%	177	5%	544	14%	529	14%
Citibank	3052	1150	38%	139	4.6%	761	25%	6	0.2%	184	6%	812	27%	823	27%
Bank of America	1046	535	51%	35	3.3%	205	20%	0	0.0%	32	3%	239	23%	229	22%
Santander	478	339	71%	15	3.1%	55	12%	4	0.8%	29	6%	36	7.5%	34	7.1%
HSBC	258	43	17%	15	5.8%	36	14%	2	0.8%	14	5%	148	57%	132	51%
Capital One	249	110	44%	21	8.4%	48	19%	1	0.4%	27	11%	42	17%	40	16%
TD Bank	224	116	52%	16	7.1%	38	17%	7	3.1%	21	9%	26	12%	25	11%
M&T Bank	90	27	30%	35	39%	2	2%	0	0.0%	12	13%	14	16%	18	20%
Smaller															
Sterling	400	259	65%	26	6.5%	66	17%	3	1%	33	8%	13	3.3%	12	3.0%
Astoria	150	86	57%	7	4.7%	35	23%	0	0%	12	8%	10	6.7%	9	6.0%
Ridgewood	84	57	68%	2	2.4%	8	10%	0	0%	3	4%	14	17%	16	19%
NYCB	47	30	64%	0	0.0%	11	23%	0	0%	0	0%	6	13%	7	15%
Emigrant	27	17	63%	1	3.7%	3	11%	0	0%	3	11%	3	11%	3	11%
BankUnited	23	12	52%	3	13%	3	13%	0	0%	4	17%	1	4.3%	1	3.0%
Valley National	14	10	71%	0	0%	2	14%	0	0%	0	0%	2	14%	2	14%

- **CRA lending programs are critical to reaching Lower-income borrowers.**

  We have noticed an increase in affordable homeownership products, including both portfolio products and government programs, and varying levels of financial assistance. At the same time, some of these same banks have since pulled out of the market, further opening the door to non-bank lenders with no obligation to offer such products.

  » Capital One and Citibank have long been recognized in this space, each with a well-respected portfolio product targeted to low- and moderate-income borrowers, with low down payments and financial assistance, and waived private mortgage insurance (PMI). The percentage of Citibank's lending to lower-income borrowers is among the lower percentages, but it now makes the second highest volume of loans to that population. Unfortunately, in October 2017, Capital One announced that they will no longer make 1-4 family loans at all. The loss of Capital One's lending sends a major blow to lower-income communities that relied upon these products.

  » Sterling also now offers a product that has down payment assistance, and waives PMI. Similarly, Sterling Bank is only offering "CRA mortgages." While better than a full retreat from the space, as noted above, this may still mean a decline in lending to borrowers of color who aren't LMI or in an LMI neighborhood.

  » Other banks have introduced and/or refined their CRA products, including, Bank of America, Chase, HSBC, M&T Bank, Santander, TD Bank, and Valley National. These banks now have portfolio products with more favorable terms while not necessarily waiving PMI. Chase brought back its down payment assistance associated with the product in 2016.

Because many of the portfolio products are available to both low- to moderate-income borrowers, and to any borrower of a home in low- to moderate-income census tracts, they are not necessarily reaching low- to moderate-income borrowers. Certainly, given the extremely high cost of housing, programs accessible to middle-income borrowers can be meaningful, but we must look at the products available and who is using them to ensure they are reaching the lowest-income New Yorkers wherever possible. While not part of the CRA, we also encourage all banks to find better ways to reach borrowers of color, including culturally competent staff who represent the community's culture and language, and affirmatively market to borrowers of color.

In addition to these portfolio programs, there are also existing programs for banks to participate in. For example, banks can offer loans insured by the State of New York Mortgage Agency (SONYMA), and loans that can be sold to Fannie Mae and Freddie Mac. These first-time homebuyer loans are well-defined with low down payments, pre-purchase counseling, and financial assistance for closing and down payment costs.

Many lenders in this study are SONYMA-approved lenders in New York City (Astoria Bank, BankUnited, Citibank, Emigrant, HSBC, M&T Bank, Sterling, and Wells Fargo), but not all are active.[23] For 2016, among the banks in this study, M&T Bank made the most, with 127 loans, followed by Citibank with 62 loans, and HSBC with 14 loans. Astoria Bank, Wells Fargo, Sterling and Emigrant made 12 loans or fewer each. M&T Bank also makes SONYMA Down Payment Assistance Loans (DPALs), which are technically 0% interest loans, but when certain conditions are met, the loan is forgiven and treated like a grant. Bank of America and Chase no longer offer SONYMA loans. We also note that non-bank lenders, Freedom Mortgage and LoanDepot.com are active participants, with 60 and 27 SONYMA loans, respectively. Freedom Mortgage's presence has been growing considerably, and is likely to grow more as banks like Sterling and possibly others outsource their lending to this company. It is encouraging that as their presence is growing they participate in programs like this.

Another valuable program is the **First Home Club**, run by the Federal Home Loan Bank of New York, which offers matching grants for qualified first-time homebuyers who successfully complete a homebuyer class and save money over time with a participating bank. Among the banks in this study HSBC, M&T Bank, Valley National, Sterling, Flushing and Popular Community participate.

Above all, lenders need to be in tune with the incredible diversity of New York City residents, and provide products and staff that can speak to these needs, which can change neighborhood to neighborhood. We believe that joining and actively participating in organizations like the **New York Mortgage Coalition** and **Neighborhood Housing Services organizations** is one effective way to do this. These organizations train HUD-certified home counselors, and work closely with banks and clients to help homebuyers through the process. They also offer a way for lenders to learn about new challenges and opportunities to better reach low- and moderate-income homebuyers.

Home Improvement loan programs are newly emerging as an important product to help homeowners remain in their homes. For many years, only two banks – Astoria and Brooklyn Federal Credit Union – participated in HPD's Home Improvement Program. While the program is ending, we expect it will be re-introduced again soon and we hope more banks participate.

23 http://www.nyshcr.org/Topics/Home/Buyers/ParticipatingLenders/Region_10_Participating_Lender_List.pdf

Citibank, TD Bank, Wells Fargo, and Capital One have offered the largest volume of home improvement loans consistently; however, at Wells Fargo, fewer than 10% of loans were to LMI borrowers over the past three years, versus at or over 20% of loans at the other three banks. We are pleased that Santander's new CRA plan includes a commitment to home improvement lending.

- **The percentage of non-CRA covered lenders is rising.**

1-4 family home purchase lending in New York City continues to be dominated by large banks, but non-bank independent mortgage companies (non-bank lenders) not covered by the CRA are increasing their presence in many areas. Credit unions, too, are not covered by the CRA, but they do have a regulatory structure, and have a much smaller share of the home purchase and refinance loans originated than banks and non-bank lenders. In this way, they make up a larger percentage of home improvement loans; however, given the role that non-bank lenders played leading up to the financial crisis and their lack of regulation, we are most concerned with these lenders.[24] **In 2016, 30% of all home purchase loans were originated by non-bank lenders, up from 27% in 2014 and 22% in 2012. The percentage of non-CRA covered lenders hit 50% for refinance loans, up from 42% in 2014 and 23% in 2012.** In fact, online lender, Quicken Loans originated the most refinance loans in the city in 2014, 2015, and 2016. The percentage of non-bank lenders making home loans to LMI borrowers mostly matched the trends of all loans, but the percentage of loans by non-bank lenders to LMI borrowers and borrowers of color exceeds citywide trends.

In 2016, 30% of all home purchase loans were originated by non-bank lenders, up from 27% in 2014 and 22% in 2012. The percentage of non-CRA covered lenders hit 50% for refinance loans, up from 42% in 2014 and 23% in 2012.

Non-bank lenders made 30% of home purchase loans to LMI borrowers, and 58% of refinance loans to LMI borrowers. They also accounted for 31% of home purchase loans and 61% of refinance loans in LMI neighborhoods. Also, 25% of home purchase loans to White borrowers were made by non-bank lenders, versus 59% and 50% of the loans to Black and Hispanic borrows, respectively. Similar disparities appear for refinance loans where non-banks comprised 40% of the loans to white borrowers and 73% and 67% of loans to Black and Hispanic borrows, respectively.

Much of the disparities to LMI borrowers and borrowers of color relates to the higher concentration of FHA loans to these populations, and the decline in FHA lending by the largest banks. There certainly remain questions about qualified borrowers possibly being steered to FHA loans, which are more expensive than conventional loans, but the overall concern that this trend raises, is that non-bank lenders are far less regulated than their bank-chartered peers. In the run up to the 2008 economic crisis, the majority of dangerous sub-prime loans were made by non-bank lenders chasing relatively high rates of return for their investors, and basing their businesses on relatively costly sources of capital. The data does not suggest that the growing role of non-bank lenders is

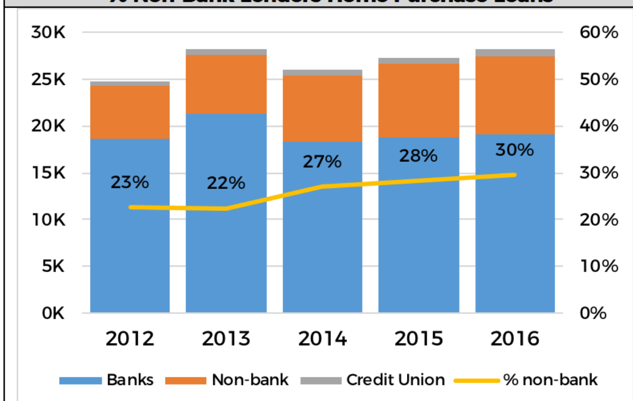
24 Credit unions typically have agency code "5" and independent non-bank lenders agency code "7". For this analysis, we also classified Navy FCU and Pentagon FCU as credit unions and Freedom Mortgage company as an independent non-bank lender, despite having a different agency code

having a negative impact at the moment because most lending is still made within the appropriate Qualified Mortgage and Ability To Repay standards that were established in post-crisis reforms. However, recent economic history has shown that unregulated non-bank lenders will always be motivated to find a loophole in the regulations, which allow for short-term gain with unwise loans, in exchange for potential long-term damage to the communities in which the loans were made. In the current financial climate of deregulation, we are concerned this could come back.

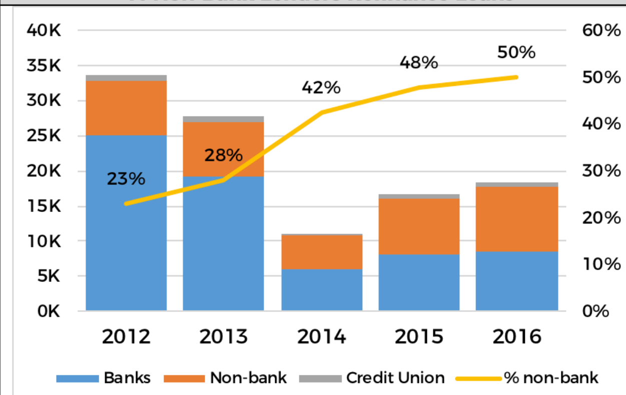
The percentages of non-bank lenders making home improvement loans is much lower than purchase and refinance loans, but those are also increasing. Non-bank lenders supported 24% of home improvement loans in 2016, up from 17% in 2015 and 16% in 2014.

TABLE 19: % OF LOANS IN NEW YORK CITY BY NON-BANK LENDERS

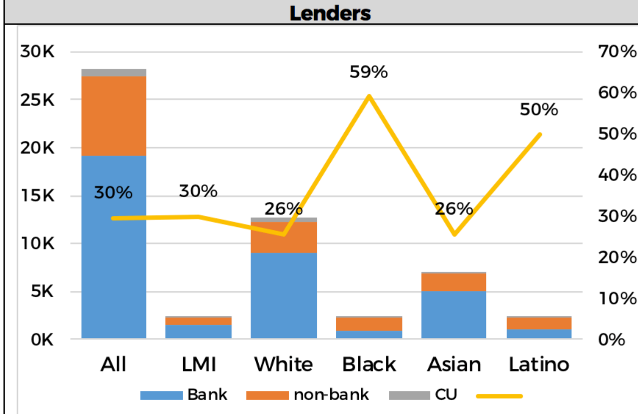
% Non-Bank Lenders Home Purchase Loans



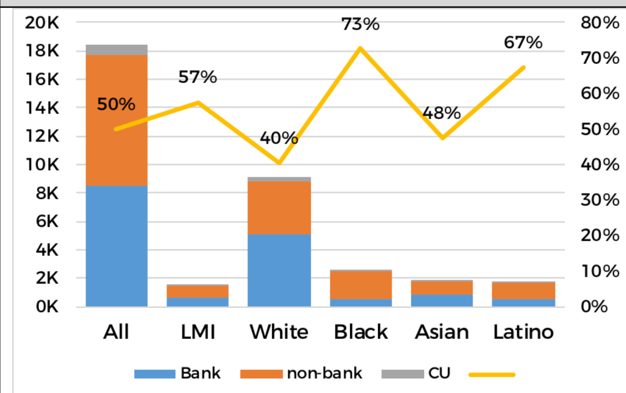
% Non-Bank Lenders Refinance Loans



2016 Home Purchase Loans: % of Loans by Non-Bank Lenders

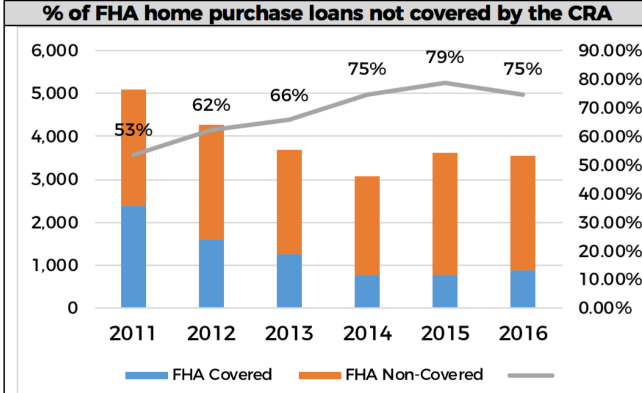


2016 Refinance Loans: % of Loans by Non-Bank Lenders

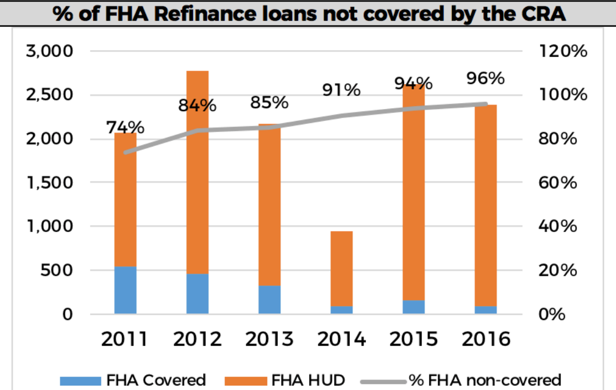


% of Loans by Non-Bank Lenders: FHA Loans

% of FHA home purchase loans not covered by the CRA



% of FHA Refinance loans not covered by the CRA



RECOMMENDATIONS

As in all sections, we encourage that banks and bank regulators follow the core principles discussed earlier, as well as integrate the following recommendations into their CRA related practices:

- **Banks should be meeting the credit needs of all New Yorkers.**

CRA-covered lenders have an obligation to equitably meet the credit needs of all New Yorkers.

» Banks should increase access to homeownership and equity by originating home purchase and refinance loans to lower-income people, immigrants, and people of color.

» Banks should offer a wide range of products, including government-backed loans such as State of New York Mortgage Agency (SONYMA), Fannie Mae and Freddie Mac programs, and portfolio products.

» Banks should be making loans equitably to low- and moderate-income borrowers and borrowers of color, striving to match the demographic percentages by race and ethnicity and increasing lending to low- to moderate-income borrowers. As will be discussed below, it is clear that there is a market for loans, and banks should be meeting much of that need. In their absence, non-CRA covered lenders are filling the void.

- **Banks should institute quality home loan programs for lower-income people, immigrants, and people of color.**

The goal of the CRA is to help meet the credit needs of low- and moderate-income people and neighborhoods. As mentioned above, we believe that responsibility also extends to borrowers of color. Banks must take an intentional approach to reaching these borrowers with quality affordable products and supports to ensure the best chance of success. This involves:

» **Partnerships with nonprofit community-based organizations** that provide U.S. Department of Housing and Urban Development (HUD)-certified pre-purchase counseling and additional supports for current and potential homeowners.

» **Dedicated loan officers, underwriters, and loan processors** who are accessible and fully knowledgeable about their products, and able to make approval decisions in a timely manner. Affirmatively market the affordable products through a variety of channels, including nonprofit partners, traditional and ethnic press and mailings, and social media.

» **Reasonable down payment requirements with financial assistance.** In a high-cost city like New York City, homeownership is increasingly difficult for low- to moderate-income borrowers. Banks can address this by allowing for lower down payments, providing financial assistance directly and through government programs, waiving private mortgage insurance (PMI), and offering products for the more affordable homeownership options such as regular and limited equity co-ops.

» **Reasonable credit scores and income requirements** that are achievable and related to the ability to repay the loan. Banks should also consider alternative forms of credit, particularly for immigrants and others without a formal credit history.

» **Homebuyer counseling.** Any first-time homebuyer assistance should require pre-purchase counseling and connect potential homebuyers to a qualified provider. A Neighborworks study of loans made from 2010 to 2012 found a difference of 16% in delinquency rates between borrowers that did and did not receive pre-purchase counseling.[25] While the percentage is lower than their previous study, the conditions were considerably different than pre-crisis, as banks tightened their credit standards and made fewer loans, leading to a decline in delinquency rates overall.

- **Update the CRA so that all lenders are held to the highest standards of <u>equitable</u> and <u>fair</u> lending.**

Increasingly, we are seeing a rise in non-bank mortgage lenders as well as online lending by banks and non-banks. While we note fewer affiliate lenders at the largest banks, they continue to exist in this space. Nonbank lenders are particularly prevalent in making FHA loans to borrowers of color. While FHA loans are not predatory, they are higher cost than conventional loans and there is a concern that people who qualify for conventional loans may be steered into FHA loans. Leading up to the crisis, there was evidence that the percentage of high-cost loans were highest among non-bank lenders, followed by bank lenders outside of their assessment areas. The lowest percentages of high cost loans were among CRA-covered lenders within their assessment areas.[26]

We need to modernize the CRA to better reflect how loans are made.

» Expand the CRA to include non-bank lenders and require all affiliate lenders be reported on bank CRA exams.

» Expand assessment areas based on where banks lend, in addition to where they have branches. This is especially important for online lenders and banks that comprise a significant percentage of loans within a geographic region.

» The CRA should not be color-blind. Evaluate, benchmark, and rate banks based on their record of lending to borrowers of color who have and continue to suffer the consequences of discrimination and redlining.

- **Prevent and responsibly deal with foreclosed homes.**

Grant more trial and permanent modifications, maintain good condition homes taken by foreclosure, and reduce the delays for homeowners due to lost paperwork, staff changes, and untimely responses.

25 Urban Institute (2016), "NeighborWorks America's Homeownership Education and Counseling: Who Receives It and Is It Effective?", Li, W., Bai, B., Goodman, L., Zhu, J.

26 http://www.woodstockinst.org/sites/default/files/attachments/payingmore3_april2009_collaboration_0.pdf

RISING REASON FOR CONCERN IN 1-4 FAMILY LENDING

Industry observers have noted a rising level of concern about important indicators of the state of 1-4 family lending. ANHD's local-level data supports some of this concern: there are fewer CRA-covered banks making 1-4 family home loans; nonbanks are stepping in; and Congress is considering bills that would decrease key aspects of the oversight of home lending by both banks and non-banks. Meanwhile, low-income people and borrowers of color are persistently and far too often locked out of the market because of high prices and disparate lending practices, and thus less able to build wealth through homeownership.

- **Rise in Nonbank Lenders:** Nationwide, over half of all home purchase and refinance loans were made by independent nonbank mortgage companies that are not covered by the CRA. In New York City, the percentages are lower (30% and 50%, respectively), but also rising. These lenders make a higher volume of FHA loans, and a disproportionate share of loans to borrowers of color. The data does not suggest that the non-bank lenders are having a negative impact at the moment, because most lending is still made within the appropriate Qualified Mortgage and Ability To Repay standards that were established in post-crisis reforms. **However, recent economic history has shown that unregulated non-bank lenders – which depend on non-depository sources of capital – will always be motivated to find a loophole in the regulations, which allow for short-term gain with unwise loans in exchange for potential long-term damage to the communities in which the loans were made.** In this climate of deregulation, we are concerned this could come back.

- **Banks are pulling back:** In 2016 and 2017, Capital One, New York Community Bank, and BankUnited ceased making 1-4 family loans entirely. Others such as Dime, Apple, and Emigrant, had already pulled back considerably. While not one of the largest lenders in New York City, Capital One filled a particular niche that will leave a hole and limit their CRA impact. They had a low-cost, accessible mortgage product that supported homeownership throughout the City, including in limited equity coops. They also made much-needed home improvement loans. The failure of regulators to effectively discourage CRA-regulated banks from discontinuing their 1-4 family lending business may have an undesirable impact.

- **Racial disparities persist:** The CRA is color-blind, such that banks have no affirmative obligation to serve borrowers of color like they do for low- and moderate-income people and neighborhoods. Banks are clearly not reaching borrowers of color through their products or marketing. In 2016, just 4.7% of CRA-regulated bank home purchase loans were to Black borrowers and 6% to Latino borrowers. Among their home purchase "CRA Loans", the percentage of loans to LMI borrowers rose to just 7.1% and 9.5%, respectively, and in LMI tracts 7.4% and 8.8%. More than half of all home purchase loans to Black and Latino borrowers are FHA loans, for example, yet the largest lenders have reduced or stopped making these loans entirely and they are not filling that gap with other products and practices. Nonbank lenders are stepping in, but with less oversight, no affirmative obligation to serve equitably, and no incentive to offer more affordable "CRA products". This leaves low-income, minority borrowers vulnerable.

MULTIFAMILY LENDING

BACKGROUND

Multifamily home lending in New York City is particularly critical to understand, given the unique housing stock here, and its importance to affordability for millions of New Yorkers. Nearly two-thirds of New Yorkers rent their homes and the majority live in multifamily apartment buildings that are rent-regulated. Rent-regulated housing remains one of the most important sources of private, more affordable housing in New York City; there are over one million rent-regulated units here, which is nearly half of all rental units (comparatively, 12.8% are subsidized (public housing and other subsidies) units and 39% are private un-regulated[27] units. Rent-regulated units are typically more affordable and provide more rights and protections for tenants than market rate units.

Currently, New York City is losing the stock of affordable housing in multi-family homes at a rapid pace. ANHD's Displacement Alert Project shows we lost over 156,000 rent-regulated units from 2007-14[28] and more have been lost since then. While not all those were technically affordable (defined as costing less than 30% of the family's income), on average, rent-regulated units are more affordable and come with a strong set of tenant protections, including the right to renew a lease, the right to organize, and limits on how much the rent can go up each year. ANHD estimated that from 2008 to 2011, New York City lost over 116,600 rental units affordable to families earning up to 80% AMI.[29] Meanwhile, the number of apartments with rents $800-$899 declined by over 25% from 2011 to 2014,[30] and by another 20% from 2014 to 2017.[31] Certain neighborhoods had very little affordable housing to begin with, making this decrease all the more troubling.

Access to credit is critical to maintaining affordable rent-regulated housing in the City, especially in lower-income neighborhoods. ANHD was formed in the 1970s when the City was suffering the consequences of severe disinvestment, where banks refused to invest in working class neighborhoods and communities of color. One only need see images of the dilapidated abandoned buildings of that time to understand why we cannot afford to go back to those days. Today, however, we are facing *overinvestment* rather than disinvestment. **Equally important to the volume of lending, if not more so, is that the loans are underwritten responsibly**. Speculative loans and loans to bad actor landlords open the door to a type of discrimination known as "predatory equity." Unlike the practice of redlining that locked people of color out of the housing market, predatory equity investors make loans in communities of color, but base those loans on highly speculative underwriting. Such loans have led to the widespread harassment

27 Gaumer, E., West, S. (2015), "*Select Findings of the 2014 New York City Housing and Vacancy Survey",* published by the NYC Department of Housing Preservation and Development
28 https://anhd.org/resources-reports/displacement-alert-project-map-dap-map/
29 "2012 Community Analysis, How is Affordable Housing threatened in your neighborhood?", published by ANHD
30 Ibid 21
31 (2017 HVS select findings)

and eviction of lower-income tenants. In fact, between 2003 and 2007, ANHD research found that private equity-backed developers purchased an estimated 100,000 units of affordable rent-regulated housing – nearly 10% of that housing stock.[32]

In 2008, in the wake of the economic crisis, the underwriting model became financially unsustainable as the real estate market collapsed and tenants were educated about their rights by community groups, which also fought to strengthen anti-harassment laws. This situation soon led to a crisis as overleveraged buildings faced financial default, which not only increased displacement pressure on tenants, but also often led to severely distressed physical conditions. Landlords then faced pressure to choose between making mortgage payments, and neglecting basic building maintenance; many owners frequently opted to disregard needed repairs. Since that time, however, new laws were put in place to protect tenants:

» **2008 Tenant Protection Act**: Created a legal definition of harassment, and allows tenants to take landlords to housing court for this harassment, in addition to issues regarding physical conditions or lack of essential services.

» **2011 Tenant Protection Unit:** State office that proactively investigates landlords for incidents of fraud and harassment that lead to the eviction of rent-stabilized tenants.

» **2014 CRA Multifamily Guidelines**: The Department of Financial Services (DFS) finalized a set of guidelines for bank lending to multifamily properties under the Community Reinvestment Act. Under these guidelines, loans that lead to a loss of affordable housing, harassment, and/or poor conditions will not get community development credit under the CRA.

» **2017: "Stand for Tenant Safety" (STS) Bills**: A package of bills to reform the Department of Building and stop the phenomenon of "construction as harassment" where landlords use dangerous or negligent construction to push tenants out of rent-regulated units.

» **2017: Right to Counsel:** This landmark bill mandates universal access to legal representation for low-income tenants facing eviction from any kind of housing. The law will be phased in over five years with universal access by 2022.

» **2017: Certificate of No Harassment**: This landmark bill will require landlords with buildings in certain areas or meet certain criteria to obtain a "certificate of no harassment" that proves that they have not engaged in tenant harassment if they want to apply for a construction permit from the Department of Buildings. If harassment has been found, they will have to pay steep fines and set aside permanently affordable housing.

The combination of economic conditions, stronger laws, and good tenant organizing led to a brief lull in the extreme harassment we saw before the financial crisis, as well as an improvement in building conditions that resulted from it. According to the NYU Furman Center, new housing code violations had been declining for a decade, but saw a sharp uptick in 2015 and 2016.[33] In a high-cost city like New York City, the economic pressure on low-income tenants never goes

32 ANHD (2009) "Predatory Equity: the Evolution of a Crisis" The threat to New York's affordable rental housing:2005-2009
33 Furman 2016

away, and has been increasing sharply in recent years. They found that from 2005 to 2015, the median rent increased 18.3%, while the median income for renters increased just 6.6%. Similarly, nearly all low-and moderate-income renters earning are rent-burdened, paying more than 30% of their income on rent (over 75% of low-income renters and 56% of moderate-income renters). Very few available apartments are affordable to these same populations.

Unscrupulous landlords use a variety of tactics to push out lower rent paying tenants, including aggressive buyout offers, "construction as harassment" where construction is done under such hazardous and disruptive conditions that it affects the health and well-being of the tenants, frivolous lawsuits, direct threats and intimidation, and rent increases through building and apartment renovations that may or may not have been done at the cost presented or may not have been done at all. The newly signed "Stand for Tenant Safety" package of legislation will be a powerful new tool to address construction as harassment in New York City. Another common tactic to push out tenants is to remove "preferential rents" – rents set below the legally registered rents – essentially raising the rent higher than the percentage allowed by the rent guidelines board. The City's Independent Budget Office found that as of 2013, at least 23% of rent-regulated tenants are paying preferential rents.[34] A ProPublica analysis revealed that in 2015, over 266,000 units – nearly 30% of all rent-regulated units – had preferential rents, yet just 62 units did in 2000.[35] Removing preferential rents is more likely to happen given the historically low rent increases (0% in 2015 and 2016, 1.25% in 2017 for one-year leases). Landlords use all available tactics to get the rent up to $2,700 when the tenant vacates so they can remove it from the rent-regulation system. While $2,700 may not sound affordable, it is more affordable than market-rate in some neighborhoods. Also, with these tactics, the legally registered rent is reaching that amount faster than it would under normal circumstances. Once a unit is de-regulated, that unit is forever out of the rent-regulated system, losing affordability and the tenant protections that come with rent-regulation.

Unscrupulous landlords use a variety of tactics to push out lower rent paying tenants.

Multifamily housing lending is the only category of loan that is analyzed under two areas of the CRA. Regulators first look at **the volume of loans inside and outside the assessment area and then the distribution of loans in low- to moderate-income census tracts**. Because these are commercial loans, they do not look at the income of the borrower as they do for 1-4 family homes. Second, regulators evaluate loans that banks submit for **community development credit**. These are typically buildings, deed-restricted or not, where over 50% of the units are affordable to lower-income tenants, but they may also get CRA credit if the building is otherwise determined to contribute to neighborhood stabilization or provide another community service.

In this section, we outline recommendations and best practices for multifamily lenders in New York City, as well as recommendations for regulators when evaluating the CRA record of banks they regulate. This oversight is essential to maintaining this important stock of affordable housing and preventing harassment and displacement.

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34 NYC Independent Budget Office *"How Many Rent-Regulated Units Are Rented at Preferential Rates and Where Are They Located?"*

35 https://www.propublica.org/article/new-york-landlords-exploit-loophole-to-hike-rents-despite-freeze

PRINCIPLES

- **CRA-covered banks must meet credit needs that enable healthy multifamily lending in low- and moderate-income neighborhoods.**

Healthy lending is the lifeblood of multifamily housing. We have seen the consequences of disinvestment in lower-income communities and communities of color. Unregulated, non-bank lenders are on the rise, and they receive much less oversight from state and federal regulators. We need banks at the table making responsible loans equitably in all communities, including low- and moderate-income neighborhoods.

- **Increase the volume of multifamily lending that qualifies as a community development loan under the CRA.**

New York City is one of the most expensive and segregated cities in the country, which has implications beyond just housing. One of the best ways to slow or reverse this effect is to provide access to affordable housing. This helps lower-income residents stay in their neighborhoods, especially ones that are gentrifying, and give others the opportunity to move into higher-income areas. Community development loans in this context include responsible permanent mortgages on private affordable rent-regulated buildings, project-based Section 8 buildings, and other affordable housing projects. As emphasized elsewhere in this report, we continue to encourage banks to explore all the ways they can partner with and support nonprofits whose housing is more likely to be deeply and permanently affordable. Other loans for affordable housing (construction loans, lines of credit, etc.) are discussed in more depth in the *Community Development Investments and Loans* section.

- **Banks should commit to best practices in multifamily lending.**
  - » Responsible underwriting to a **debt service coverage ratio (DSCR) of 1.2X or above, based on current rents – including preferential rents – and realistic maintenance costs. Banks should also avoid financial incentives for displacement,** such as buyouts, hazardous construction, and excessive increases that result from passing on portions of the costs of Major Capital Improvements (MCIs). Consider measures to discourage borrowers from taking out additional debt that would cause the building to go below responsible debt service coverage ratio limits.
  - » **Proper vetting of potential bad actor landlords** as evidenced by high violation counts, poor conditions, loss of rent-regulated units, and signs of harassment and displacement.
  - » **Strong tenant engagement**: Banks must have a process to work with tenants in buildings owned by landlords they finance to address ongoing concerns.
  - » When issues arise from any of the above sources**, secure a plan by the borrower to address them, or else decline to make the loan**. If the bank already has the loan, work with the borrower, city and tenants to address the issues.
- **Regulators must hold banks accountable for financing bad actor landlords**.

The New York State Department of Financial Services (DFS) took an important step in declaring that loans that result in a loss of affordable housing or poor conditions will not get community development credit on CRA exams.[36] The FDIC and the Federal Reserve have been following some similar practices. We urge the OCC to follow suit and for all regulators to make it as publicly known as DFS. **Also, these guidelines should extend to all multifamily loans made by the bank and also loans where buildings are used as collateral for a loan,** not just those submitted for CRA credit. Destructive lending of any sort should have a negative impact on a bank's CRA rating.

- **Banks should participate in First Look Program.**

Even with the best of intentions, some loans will go bad, especially for banks that do high volumes of lending. Banks should participate in the First Look program developed by ANHD, HPD, and the New York City Council to responsibly transfer distressed properties to responsible preservation-minded developers, thus preserving much-needed affordable housing.

- **Non-bank lenders should be regulated and held to the same strict standards as bank lenders.**

Currently, non-bank lenders are not covered by the CRA or any oversight by federal or state bank regulators; this is particularly concerning given their increased lending on multifamily buildings.

TRENDS & FINDINGS

- **CRA-covered banks must meet the credit needs to purchase and maintain multifamily buildings by lending equitably to low- and moderate-income neighborhoods.**

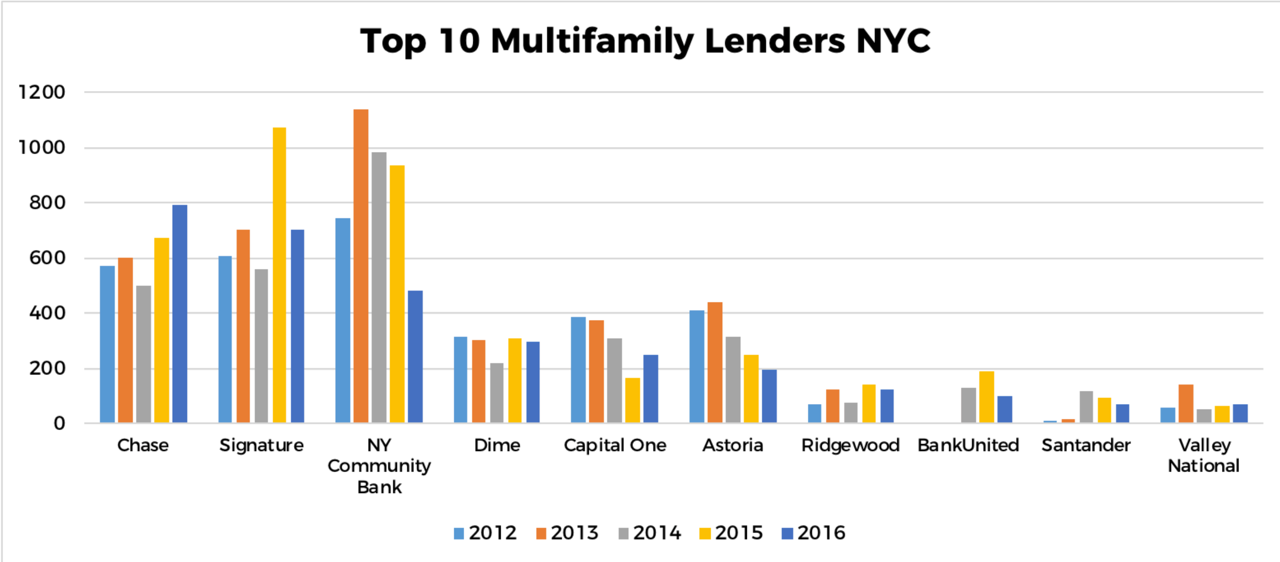
TABLE 20: MULTIFAMILY LENDING AMONG RETAIL BANKS ($ IN MILLIONS)

	2013	2014	2013-14	# banks	2014	2015	2014-15	# banks	2015	2016	2015-16	# banks
MF Lending (# Loans)	4,430	3,582	-19%	19	3,480	4,143	19%	19	4,210	3373	-20%	20
MF Lending (in $)	$17,104	$16,358	-4.4%	19	$16,793	$21,337	27%	19	$21,388	$16441	-23%	20
MF Lending in LMI tracts (#)	2,084	1,819	-13%	19	1,735	2,259	30%	19	2,306	2089	-9.4%	20
MF Lending in LMI tracts ($)	$6,340	$6,942	9.5%	19	$71,001	$9,946	40%	19	$9,980	$9634	-3.5%	20

** 2014-15 excludes Flushing Bank as we lack accurate 2015 data, but includes BankUnited which is new to study in 2014. Sterling is new in 2016 and not included in year-to-year data*

Multifamily lending decreased rather sharply in 2016, down by 20% among the banks in our study, well below 2013 levels. Some of this likely reflects a decline in refinance lending as interest rates start to rise; it also matches some industry trends. For example, according to one industry study, multifamily transactions in New York City fell to a five-year low in 2016.[37] This could be related to market conditions, but it may also be related to banks trying to diversify their portfolios in response to more scrutiny by regulators. The three federal bank agencies issued a joint advisory bulletin in late 2015 warning banks of the risk of too much concentration in commercial and real estate lending, and expressing concern regarding an "easing of CRE underwriting standards, including less-restrictive loan covenants, extended maturities, longer interest-only payment

36 http://www.dfs.ny.gov/legal/industry/il141204.pdf
37 http://arielpa.nyc/insights/170208-multifamily-year-in-review-nyc-2016

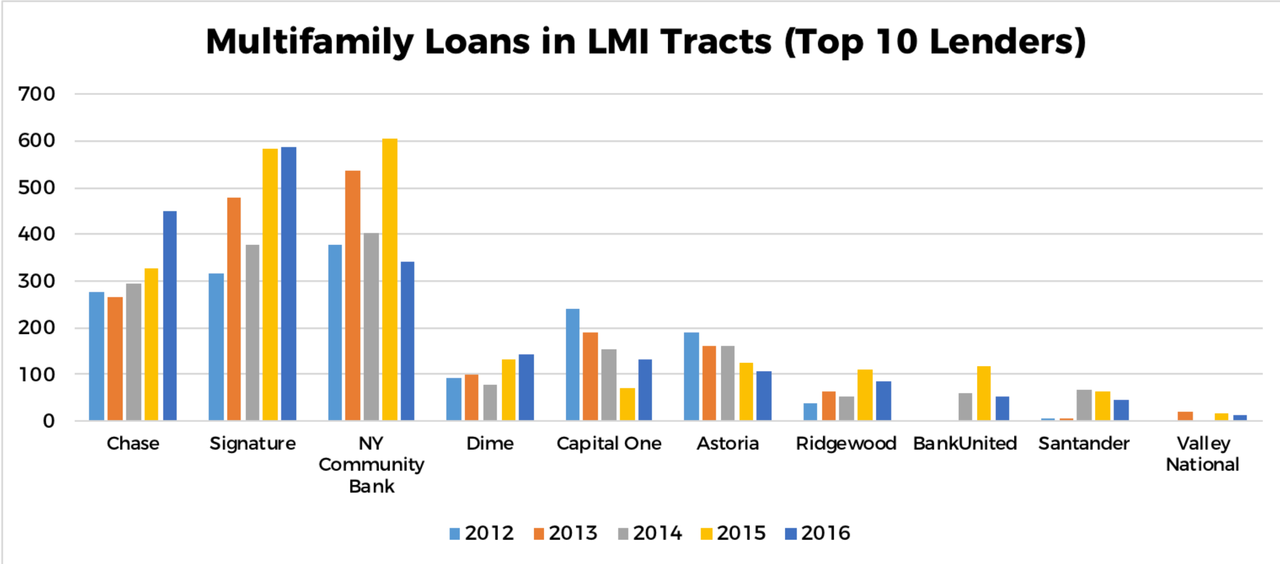


periods, and limited guarantor requirements.[38]" The OCC issued another report in July 2017 that noted similar trends of increases in CRE loans and concentrations of loans. They also outline similar concerns, stating that "credit underwriting standards and practices across commercial and retail portfolios remain an area of OCC emphasis. Over the past two years, commercial and retail credit underwriting has loosened, showing a transition from a conservative to an increasing risk appetite as banks strive to achieve loan growth and maintain or grow market share."[39] Dime in particular was notable for having a CRE concentration equal to 1,012% of its risk-based capital.[40]

Much of the decline among banks in this study was driven by Signature and New York Community Bank, but others declined as well. Chase and Capital One increased lending in this area in 2016. Lending in lower-income tracts declined, but not as sharply; it was down 9.4% by volume, and just 3.5% by dollar amount. We note that other lenders remain active in the multifamily space, including banks such as Customers Bank, Investors Bank, First Republic Bank, Peapack-Gladstone Bank, and People's United Bank, as well as many non-bank lenders. Non-bank lenders do not fall under bank supervision. Absent oversight under the CRA or safety and soundness examinations, we are concerned about the impact their underwriting practices could have on tenants and on the stock of affordable housing. The case of Madison Realty Capital's loan to Raphael Toledano to purchase a portfolio of buildings in the East Village is one example that has been well documented. The attorney general determined that the loans - $124 million in loans on buildings he bought for $97 million – was designed to fail because the income couldn't support the debt.[41] Tenants in those buildings suffered from alleged harassment and displacement, hazardous construction, and health problems.[42]

In 2016, the larger multifamily lenders in this study (Capital One, Chase, Dime, New York Community Bank, and Signature Bank) remained active. Santander had been emerging as a significant lender, with 119 in 2014, but that declined to 92 in 2015 and 70 in 2016.

38 https://www.fdic.gov/news/news/press/2015/pr15100a.pdf
39 https://occ.gov/news-issuances/news-releases/2017/nr-occ-2017-78.html
40 https://www.americanbanker.com/news/why-this-multifamily-lender-is-retrenching
41 https://therealdeal.com/2017/05/19/judge-ignores-ags-objections-over-madison-managing-toledano-portfolio/
42 http://therealdeal.com/issues_articles/toledanos-fast-and-rocky-ride/



In 2016, as in prior years, Chase, New York Community Bank, and Signature Bank made the highest volumes of loans overall and in lower-income neighborhoods. However, in 2016, Chase originated the most loans overall, followed by Signature and then New York Community Bank. Signature made the most loans in LMI tracts, followed by Chase and New York Community Bank. Astoria's volume continued to drop, down from 246 to 195 in 2016. Sterling Bank, which is new to our study, acquired Astoria recently, and made 37 loans in 2016, 20 in LMI tracts.

Among the larger volume multifamily lenders that made over 100 loans in 2016, Signature Bank made the highest percentage of loans in lower-income tracts with 84%, followed by New York

TABLE 21: HIGHEST PERCENTAGE OF LOANS IN LMI TRACTS

	2015						2016					
	Total	Total ($)	LMI tracts (#)	LMI tracts ($)	% LMI (#)	% LMI ($)	Total	Total ($)	LMI tracts (#)	LMI tracts ($)	% LMI (#)	% LMI ($)
Largest												
Citibank	19	$391	12	$217	63%	55%	16	$338	12	$193	75%	57%
Santander	92	$523	62	$239	67%	46%	70	$419	45	$269	64%	64%
M&T	35	$510	16	$206	46%	40%	34	$320	20	$214	59%	67%
Chase	675	$2587	326	$996	48%	39%	793	$2,526	450	$1,358	57%	54%
Capital One	162	$648	71	$349	44%	54%	249	$997	133	$565	53%	57%
Wells Fargo	31	$1,100	13	$376	42%	34%	29	$1,262	15	$456	52%	36%
TD Bank	7	$32.45	4	$20.19	57%	62%	13	$78.12	5	$29.63	38%	38%
Bank of America	7	$24.50	5	$16.00	71%	65%	1	$3.30	0	$.00	0%	0%
HSBC	0	$0.00	0	$0.00			0	$0.00	0	$0.00	0%	0%
Smaller												
Signature	1,072	$5,485	582	$2,148	54%	39%	704	$3,674	588	$2,893	84%	79%
NYCB	936	$5,801	603	$3,337	64%	58%	482	$2,910	340	$1,684	71%	58%
Ridgewood	140	$292	109	$203	78%	69%	125	$317	85	$185	68%	58%
Popular Community	37	$163	24	$117	65%	72%	27	$238	17	$156	63%	66%
Sterling							37	$182	20	$98.19	54%	54%
Astoria	246	$733	123	$324	50%	44%	195	$630	105	$346	54%	55%
BankUnited	189	$1,412	118	$758	62%	54%	100	$719	53	$420	53%	58%
Emigrant	34	$16.60	14	$5.50	41%	33%	48	$20.20	24	$9.50	50%	47%
Dime	309	$1,041	133	$465	43%	45%	296	$1,320	144	$660	49%	50%
Apple Bank	88	$411	28	$137	32%	33%	69	$338	12	$70.38	17%	21%
Valley National	64	$164	16	$30.81	25%	19%	70	$279	12	$89.38	17%	32%
Flushing	67	$51.28	47	$33.58	70%	65%						

Community Bank with 71% and Ridgewood with 68%. Chase, BankUnited, Astoria and Capital One all had over 50% of their loans in LMI tracts, and other smaller-volume lenders did as well. Conversely, Valley National and Apple made just 17% of their loans in LMI tracts.

- **The volume of multifamily lending that qualifies as a community development loan under the CRA decreased 1.3% in 2016, but the dollar amount loaned increased by 12%. This is positive in comparison with the sharp decline in lending overall.**

TABLE 22: MULTIFAMILY CD LENDING 2013-14, 2014-15, 2015-16									
	2013	2014	2013-14	2014	2015	2014-15	2015	2016	2015-16
MF CD Lending (#)	1317	1024	-22%	888	1012	14%	1012	999	-1.3%
MF CD Lending ($)	$4328	$5888	36 %	$5676	$4571	-19%	$4571	$5100	12%

This report also looks specifically at multifamily loans for which banks seek CRA credit as community development loans. Typically, these are buildings—deed-restricted or not, where over 50% of the units are affordable to lower-income tenants; banks may also get CRA credit if the building is otherwise determined to contribute to neighborhood stabilization or provide another community service. Overall, the number of community development loans decreased 1.3%, while the dollar amount increased 12%. This is still a significant increase over the number of community development loans made in 2014 (among the banks that reported in all three years), but the amount loaned is slightly below that year's amount. The numbers at individual banks offer some insight into which banks focus more on affordable rent-regulated buildings (see table 23).

For example, Ridgewood counted almost all of its multifamily loans as community development loans; New York Community Bank counted nearly half in this way, and Emigrant and Signature counted well over a third of their loans in this way. Given the overall volume at New York Community Bank and Signature Bank, this represents a significant number of buildings and units. For Chase, the percentage was just 8.4% in 2016, down from 10% in 2015 and 16% in 2014, with the percentage of dollar amounts slightly lower. We appreciate that some multifamily community development loans are for deed-restricted affordable housing, and encourage banks to continue and increase that lending. In practice, however, most of the higher volume banks' multifamily affordable housing loans are for rent-regulated buildings, thus highlighting how critical these banks are to preserving this stock of housing. According to New York Community Bank's 2015 FDIC exam, "Approximately $7.9 billion (93.5%) of the qualified affordable housing loans are related to the bank's multi-family lending activities ... While the volume of affordable housing lending is significant on a quantitative basis, these loans were relatively standard in nature and therefore were given less weight from a qualitative perspective when compared to the bank's other community development loans." Signature Bank's most recent 2014 exam with DFS says that the bank's "community development loans consisted mainly of multi-family rental housing projects, which made up 72.7% of the total community development loans SB made."[43] The high volume of affordable housing community development loans in the FDIC's 2016 exam indicates a similar concentration of loans.

The lower volume of multifamily community development loans for a bank like Chase could mean they are not putting as many resources into affordable rent-regulated buildings, or conversely,

43 http://www.dfs.ny.gov/reportpub/cra_reports/cr14signa.pdf

that they reach their volumes of community development lending in other areas and do not track affordability as closely in their standard multifamily lending. Given Chase's volume of lending, it is likely the latter. While we certainly value that they seem to be putting forth more intentional deals for CRA credit, we want banks and regulators paying attention to buildings where rents are more affordable, regardless of whether or not they get CRA credit.

TABLE 23: HIGHEST PERCENTAGE OF MULTIFAMILY LOANS SUBMITTED FOR COMMUNITY DEVELOPMENT CREDIT												
	2015						2016					
Bank	All (#)	All ($)	MF CD (#)	MF CD ($)	% CD (#)	% CD ($)	All (#)	All ($)	MF CD (#)	MF CD ($)	% CD (#)	% CD ($)
Largest												
Citibank	19	$391	12	$248	63%	64%	16	$338	14	$290	88%	86%
Capital One	162	$648	15	$156	9.3%	24%	249	$997	112	$978	45%	98%
Santander	92	$523	24	$81.94	26%	16%	70	$419	18	$127	26%	30%
Chase	675	$2587	68	$174	10%	6.7%	793	$2526	67	$196	8.4%	7.8%
Bank of America	7	$25	7	$24.50	100%	100%	1	$3.30	0	$.00	0.0%	0.0%
M&T	35	$510	1	$21.00	2.9%	4.1%	34	$320	0	$0.00	0.0%	0.0%
TD Bank	7	$32.45	2	$7.18	29%	22%	13	$78.12	0	$0.00	0.0%	0.0%
Smaller												
Ridgewood	140	$292	63	$112.96	45%	39%	125	$317	113	$155	90%	49%
NYCB	936	$5801	379	$2188	41%	38%	482	$2910	226	$1211	47%	42%
Emigrant	34	$16.60	13	$5.49	38%	33%	48	$20.20	21	$8.85	44%	44%
Signature	1072	$5485	261	$909	24%	17%	704	$3674	269	$1240	38%	34%
Sterling							37	$182	13	$49.17	35%	27%
Valley National	64	$164	6	$63.60	9.4%	39%	70	$279	16	$89.35	23%	32%
Astoria	246	$733	60	$165	24%	23%	195	$630	44	$146	23%	23%
Dime	309	$1041	45	$170	15%	16%	296	$1320	62	$242	21%	18%
Apple Bank	88	$411	28	$137	32%	33%	69	$338	12	$37.72	17%	11%
BankUnited	189	$1412	19	$98.14	10%	7.0%	100	$719	17	$183	17%	25%
Popular Community	37	$163	9	$7.47	24%	4.6%	27	$238	1	$5.85	3.7%	2.5%

- **Banks must commit to responsible multifamily lending.**

Responsible lending is critical to maintaining the affordable rent-regulated housing in the City, and especially in lower-income neighborhoods. In addition, rent-regulated units provide tenant protections that go beyond affordability. Once a unit is taken out of rent-regulation, it never returns. **Bad lending is as destructive as good lending is necessary.** Multifamily lenders must understand the rent-regulation system and how to underwrite these loans appropriately, so that owners of these buildings are encouraged to preserve affordability, and penalized when they are found to be harassing or evicting lower-rent paying tenants in order to drive up the rents. Regulators must hold banks accountable for loans to landlords that engage in such tactics.

In New York City, we have multiple sources of data to identify buildings where conditions and situations might warrant a closer look.

» Banks can get valuable information from regular interaction with **tenant organizers and tenants** themselves, as well as by **monitoring media related to bad acting landlords.**

» University Neighborhood Housing Project's **Building Indicator Project (BIP) database** lists every privately owned residential multifamily building in the City, as well as the lender, owner, and management company on record. Each building receives a BIP score based on a combination of violations, liens, and fines. A BIP score of 800 or more means the building is likely to be in physical and/or financial distress.

» The **Public Advocate's annual Worst Landlord list** identifies property owners that evidence patterns of neglect.

» Other sources include: watchlists from groups like **Stabilizing NYC** and other coalitions and tenant organizers; **active investigations by government agencies (eg: Governor's Tenant Protection Unit, the Attorney General's Office, and the Joint State-City Tenant Harassment Task Force)**; and ANHD's **Displacement Alert Project,** which highlights recent sales, as well as buildings with high counts of new violations, complaints, and building permits.

Below, we analyze recently financed buildings (financed in the past 10 years) using the December 2017 BIP database. Table 24 shows the lenders in this study with the highest percentage of buildings or units at risk. Among the larger banks in our study, HSBC, Wells Fargo, and Bank of America had the highest percentage of buildings; however, they comprise a small number of buildings at each. Sterling (new to our study), Popular Community, and Signature had the highest percentage of buildings in distress among the smaller banks. Signature, Flushing, and New York Community Bank have the most buildings in distress. Signature had the most buildings (35), followed by New York Community Bank (22), and Flushing (16). New York Community Bank and Signature had the most units (4225 and 1260, respectively). We recognize these make up a small percentage of their portfolios.

TABLE 24: DATA FROM BUILDING INDICATOR PROJECT (BIP) DATABASE DEC 2017 – ANALYZING BUILDINGS FINANCED IN PREVIOUS 10 YEARS

	Total		BIP >=800				BC: units >=4			
	Bldgs	Units	Bldgs	% bldgs	Units	% units	Bldgs	% bldgs	Units	% units
Largest										
HSBC	80	2,401	4	5.0%	29	1.2%	15	18.8%	107	4.5%
Wells Fargo*	339	34,382	9	2.7%	10963	31.9%	26	7.7%	167	0.5%
M&T	314	13,175	6	1.9%	130	1.0%	6	1.9%	61	0.5%
Bank of America	110	5,178	2	1.8%	141	2.7%	2	1.8%	11	0.2%
TD Bank	235	7,839	3	1.3%	71	0.9%	8	3.4%	66	0.8%
Capital One	1317	56,364	9	0.7%	208	0.4%	19	1.4%	170	0.3%
Chase	3041	76,620	19	0.6%	411	0.5%	107	3.5%	1083	1.4%
Santander	1077	50,932	5	0.5%	287	0.6%	9	0.8%	114	0.2%
Citibank	87	3,519	0	0.0%	0	0.0%	6	6.9%	38	1.1%
Smaller										
Sterling	194	4,567	5	2.6%	66	1.4%	7	3.6%	72	1.6%
Popular Community	193	3,182	3	1.6%	45	1.4%	10	5.2%	100	3.1%
Signature	2558	68,573	35	1.4%	588	0.9%	97	3.8%	796	1.2%
Ridgewood	441	7,283	6	1.4%	71	1.0%	15	3.4%	159	2.2%
Flushing	1399	23,113	16	1.1%	522	2.3%	61	4.4%	425	1.8%
BankUnited	406	12,591	4	1.0%	119	0.9%	6	1.5%	52	0.4%
Apple Bank	358	18,640	3	0.8%	176	0.9%	7	2.0%	185	1.0%
Valley National	461	24,652	3	0.7%	134	0.5%	7	1.5%	148	0.6%
NYCB	3750	163,209	22	0.6%	459	0.3%	26	0.7%	352	0.2%
Emigrant	206	1797	1	0.5%	144	8.0%	8	3.9%	47	2.6%
Astoria Bank	1373	50496	3	0.2%	36	0.1%	13	0.9%	130	0.3%
Dime	1547	40421	3	0.2%	49	0.1%	23	1.5%	228	0.6%
Wholesale										
Deutsche Bank	134	7575	6	4.5%	142	1.9%	12	9.0%	97	1.3%
BNY Mellon	129	8375	4	3.1%	27	0.3%	4	3.1%	33	0.4%
Goldman Sachs	15	593	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Morgan Stanley	4	327	0	0.0%	0	0.0%	0	0.0%	0	0.0%

** Wells Fargo's data includes a large complex in the Bronx in coop city, which accounts for most of the units;*

Other trends in BIP are worth noting as well. For example, buildings are more likely to be in physical distress if they have a high ratio of B and C violations issued to units by New York City's Department of Housing Preservation and Development (HPD). HPD issues these violations for

BEST PRACTICES IN MULTIFAMILY HOUSING FOR NEW YORK CITY

Rent-stabilized housing is one of the most important sources of private affordable housing in New York City for low-income New Yorkers and people of color. Rents in rent-stabilized units are lower than in non-stabilized units, and even more so in older buildings. Responsible lending to responsible landlords is critical to maintaining this stock of housing to ensure the buildings are well-maintained and remain in the rent-regulation system.

All lenders – banks and non-banks – should commit to a set of best practices (summarized here and described in more detail in the recommendations section) to ensure the preservation of this stock of housing.

- **Responsible Underwriting:** Underwrite to debt service coverage ratio (DSCR) of 1.2X or above, based on current rents and realistic maintenance costs. This includes underwriting to preferential rents in rent-regulated units, and not the higher registered rent. Banks must also preclude financial provisions that may lead to displacement, such as buyouts, excessive charges passed on as a result of Major Capital Improvements, or hazardous construction.

- **Proper vetting of landlords:** Analyze prospective borrowers using a variety of sources to understand how well they maintain buildings and treat tenants throughout their portfolio
    - **Analyze all available public sources to identify bad-acting landlords,** including poor conditions, displacement, loss of rent-regulated units, and harassment.
    - Consult **media reports online and be in regular communication with tenant organizers** who are working on the ground every day to mitigate the impact of bad acting landlords.
    - When issues arise from any of the above sources, **secure a plan by the borrower to address them or else decline to make the loan**.

- **Strong tenant engagement:** Banks should have a robust process to work with tenants and tenant organizers to understand trends in rent-regulated housing overall, as well as the behavior of particular landlords that are not respecting the rights of tenants to live in good conditions and free from alleged harassment and displacement.

ANHD is also increasingly paying attention to the Gross Rent Multiplier (GRM) at the time of new sales. The GRM is the purchase price, divided by the gross rental income. The higher the GRM, the longer it will take investors to get a return on their investment, which might create an incentive to raise rents faster. We believe that a GRM above 11 is heading in this direction, and above 15 is cause for great concern that tenants will be displaced. Without an explicit plan to protect in-place rent-regulated tenants, we believe that lenders should be wary of financing buildings with GRM over 11.

hazardous conditions in an apartment. Among the lenders in this study, Chase, Flushing Bank, and Signature Bank once again have the most buildings and units with a ratio of at least 4:1 violations to unit; 107 buildings (3.5%) with 1,083 units (1.4%) at Chase; 97 buildings (4%) and 796 units (1.2%) at Signature Bank, and 61 buildings (4.4%) with 425 units (1.8%) at Flushing Bank. HSBC, TD Bank, Citibank, and Wells Fargo had higher percentages of buildings but at much lower volumes.

The overall low number of buildings and units with high signs of distress are promising, indicating that the City's targeted code enforcement efforts, coupled with successful organizing by community organizations are having an impact. However, we must also note that BIP is not designed to identify other harmful practices, such as tenant harassment, overleveraging, and note sales. Lower BIP scores or violation counts within bank portfolios could also indicate that landlords are successfully either harassing tenants out before the building falls into distress or else selling troubled debt to other lenders or servicers. Few data sources will catch buildings before they go into distress or buildings in disrepair where tenants have not reported violations to HPD. Given how rapidly building prices and rents are rising in the City, landlords are using a variety of means to harass lower-rent paying tenants out of their buildings in order to get higher rents.

It is critical that regulators look at the debt service coverage ratio and other underwriting criteria to ensure that loans are made based on the real rents and expenses of the building and not speculatively, predicated on moving out lower-paying tenants.

The Public Advocate's Worst Landlord list is another indicator of banks making loans that may have a destabilizing impact on the community. According to the Public Advocate's analysis of the prior year's list, Signature Bank financed the largest number of buildings on her list by far. They held 58 loans, for a total of $130 million in mortgages; Capital One follows next with 24 loans, for a total of $30 million in mortgages, and then Customers Bank with 20 Loans, for a total of $40 million in mortgages. The most recent list was released in November 2017. ANHD's analysis of the loans on these buildings indicates Signature has the most multifamily loans of any bank lender, albeit fewer than in 2016. We encourage these, and all banks to ensure the landlords are properly maintaining their buildings, while protecting the rights and affordable rents of tenants.

No public data exists to indicate an overleveraged building that has not yet fallen into distress, which is one of the most serious threats to rent-regulated housing. A speculative loan that moves out lower-rent paying tenants and brings in higher-paying tenants might be in good condition, but ultimately becomes unaffordable to local residents. This is why it is critical that regulators look at the debt service coverage ratio and other underwriting criteria to ensure that loans are made based on the real rents and expenses of the building and not speculatively, predicated on moving out lower-paying tenants. Consulting watchlists and media reports, and being in regular communication with tenant organizers, is an effective way to stay informed of landlords that are not respecting tenants, and also new tactics landlords may be using throughout the city, in order to displace tenants.

Fundamentally, the issue is not simply that buildings have violations, or that the landlord appears on a list; the issue is what banks do with that information. All lenders, especially those with rent-regulated buildings, should commit to best practices and lend only to landlords who demonstrate a commitment to maintaining buildings in good condition, in a way that does not lead to displacement or harassment. **New York Community Bank entered into a historic CRA agreement with ANHD committing publicly to a set of best practices in multifamily lending.**[44] The bank formally committed to the full set of best practices in October 2017 as part of their application to merge their commercial and community banks, but they have been operating under it for longer. The agreement also includes other CRA commitments beyond multifamily lending.

When a building does go into default, lenders should do everything possible to transfer distressed assets to responsible owners who will keep the units permanently affordable. The First Look Program designed by ANHD, HPD, and New York City Council leadership provides a means to do just that. Through this program, the bank gives a community-minded developer recommended by ANHD and HPD an early and exclusive opportunity to buy foreclosed rent-stabilized buildings or the distressed mortgages on those buildings. We know what First Look can accomplish when lenders work collaboratively with the City and nonprofit organizations to replace bad landlords with community-based nonprofit developers. Buildings go from being unstable community problems to long-term community assets. Unfortunately, as the market is heating up, fewer buildings are making it to nonprofit developers as the banks are finding higher bidders elsewhere. We look forward to working with the City and the banks to find ways to transfer more buildings to preservation-minded nonprofit developers.

RECOMMENDATIONS

As in all sections, we encourage that banks and bank regulators follow the core principles discussed earlier, as well as integrate the following recommendations into their CRA related practices:

- **CRA-covered banks must meet credit needs that enable healthy multifamily lending in low- and moderate-income neighborhoods.** Healthy lending is the lifeblood of multifamily housing. We have seen the consequences of disinvestment in lower-income communities and communities of color. Unregulated, non-bank lenders are on the rise and receive much less oversight from state and federal regulators. We need banks at the table making responsible loans equitably in all communities, including low- and moderate-income neighborhoods.

- **CRA-covered banks should increase the volume of multifamily lending that qualifies as a community development loan under the CRA.** Community development loans in this context include responsible mortgages on affordable rent-regulated buildings, project-based Section 8 buildings, and other affordable housing projects.

- **Banks should commit to best practices in multifamily lending.**

  » Underwrite to a **debt service coverage ratio of 1.2X or above**, based on **current rents and**

44 https://anhd.org/wp-content/uploads/2017/11/NYCB-CRA-Pledge-2017-19.pdf /

realistic maintenance costs. This includes **underwriting to any preferential rents** in rent-regulated units, rather than the higher registered rent. **Consider measures to discourage borrowers from taking out additional debt** if it causes the building to go below responsible debt service coverage ratio limits.

- » Avoid financial provisions that may lead to displacement, such as buyouts, excessive MCIs or hazardous construction. Monitor how funds are used for renovation to ensure existing tenants are safe.
- » **Inspect the building itself** and **review conditions of the building and others owned by the prospective borrower** when evaluating a loan application.
- » Identify potential bad actor landlords:
  - **Analyze housing violation counts, New York City Department of Buildings violations**, **loss of rent-regulated units**, and other indicators on established lists such as the **Building Indicator Project** (BIP) database, **HPD's distressed asset list**, and **additional indicators as they become available** to identify displacement, loss of rent-regulated units, and harassment.
  - Scrutinize **landlords on the Public Advocate's "Worst Landlord List," and under investigation** by government agencies. Consult **media reports online** and be in **regular communication with tenant organizers** who are working on the ground every day to mitigate the impact of bad actor landlords.
- » When issues arise from any of the above sources**, work with all parties – tenants, government and borrower – to address the issue or else decline to make the loan**.
- » **Strong tenant engagement**: Banks must have a process to work with tenants in buildings owned by landlords they finance to address ongoing concerns. Regular communication with tenants and tenant organizers also serves as a resource regarding problematic landlords and overall issues faced by tenants in rental housing, and especially rent-regulated housing.

- **Regulators must hold banks accountable for financing bad actor landlords**. The New York State Department of Financial Services (DFS) took an important step in declaring that loans that result in a loss of affordable housing or poor conditions will not get community development credit on CRA exams.[45] The FDIC and the Federal Reserve have been following some similar practices. We urge the OCC to follow suit, and for all regulators to make it as publicly known as DFS. Also, **these guidelines should extend to any loan made by the bank, and any buildings used as collateral for a loan**, not just those submitted for CRA credit. Destructive lending of any sort should have a negative impact on a bank's CRA rating.
- **Banks should participate in First Look Program.** Even with the best of intentions, some loans will go bad. Banks should participate in the First Look program developed by ANHD, HPD, and the New York City Council to responsibly transfer distressed properties to responsible preservation-minded developers, thus preserving much-needed affordable housing.
- **Non-bank lenders** should be regulated and held to the same strict standards as bank lenders. Currently, non-bank lenders are not covered by the CRA or any oversight by federal or state bank regulators.

45 http://www.dfs.ny.gov/legal/industry/il141204.pdf

COMMUNITY DEVELOPMENT LOANS & INVESTMENTS

BACKGROUND

Community development under the CRA encompasses a wide, but well-defined range of activities targeting low-and moderate-income people and communities, increasing their access to affordable housing, providing community services, promoting economic development, revitalizing or stabilizing communities, and supporting certain foreclosure prevention activities. Community development loans and investments provide vital financing to build and preserve affordable housing, create jobs and economic development opportunities, and improve and revitalize city neighborhoods. New York City is on the forefront of affordable housing creation and preservation, with innovative programs and initiatives rarely seen elsewhere. This investment would not have been possible without the CRA, and will be more important than ever in the coming years.

Community development tests under the CRA evaluate how banks are meeting the credit needs of lower-income people and communities to improve conditions, such as by increasing access to jobs, community services, affordable housing, and more stable neighborhoods.

CRA-qualified investments are lawful investments, deposits, or membership shares that have community development as their primary purpose. For example, banks may purchase mortgage government bonds or Low-Income Housing Tax Credits (LIHTC) or New Markets Tax Credits (NMTC) that fund affordable housing construction or rehabilitation, and other larger scale developments. Investments also include community development grants, but given their small size relative to other investments and their importance to nonprofits, we examine those separately in our philanthropy section.

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

When evaluating core lending, regulators evaluate the volume and distribution of loans, analyzing both geographic characteristics (low- and moderate-income census tracts) and borrower characteristics (low- and moderate-income borrowers, small businesses with revenues under $1 million). Community development lending goes beyond those criteria, and evaluates how banks are meeting the credit needs of lower-income people and communities to improve conditions, such as by increasing access to jobs, community services, affordable housing, and more stable neighborhoods. We would expect the community development lending to align with a bank's business model. For example, a bank that finances the construction or renovation of multifamily housing is likely to finance the construction or rehabilitation of affordable housing, more so than a bank that does not engage in that line of business.

For the purposes of this report, in this section, we discuss below the principles, trends and findings, and recommendations for all community development activities covered under the CRA, but with less focus on Economic Development. We devote the following chapter to this emerging community development field in New York City.

PRINCIPLES

- **All banks should maintain and increase their level of community development loans and investments each year.**

Banks are an integral part of the system to support community development in all its forms, and community development loans and investments are a key component of that obligation.

- **Quality must be taken as seriously as quantity**. One factor that can get lost in the overall dollar amounts of community development lending is the **impact of the lending**.

Under the lending test, greater weight is placed on areas where banks do more business. For example, banks like Citibank or TD Bank will be evaluated more heavily on their 1-4 family lending, and less so on multifamily lending, while the opposite is true for New York Community Bank or Signature Bank. Likewise, Chase, Citibank and TD are evaluated on their small business lending, while banks like Ridgewood and Apple are not, due to their business models. Regulators evaluate the volume and equitable distribution of these core loans. Community development lending goes beyond that to support low- and moderate-income people and communities to increase access to jobs, community services, affordable housing, and more stable neighborhoods. We expect some of the community development lending to align with a bank's business model, but, as will be discussed below, a strong community development team allows a bank to respond to a variety of credit needs, even those outside their area of business.

ANHD has noticed that some banks that do a large volume of commercial lending satisfy much of their CRA obligations through their core business loans that meet certain criteria, typically based on the rents or location of the loan. For example, a loan to attract or retain a retail center in a low-income census tract can get community development credit, regardless of the impact on jobs or residents. **While it is important to have credit flowing to these neighborhoods, that is only the case if it benefits the local community, and not if it fuels gentrification and displacement.**

The spirit of the CRA in general, and especially under the community development tests, is to ensure credit and capital are flowing to under-served neighborhoods in a way that supports quality jobs, affordable housing, and diverse and thriving neighborhoods. Banks and regulators must look at the overall impact of loans and investments submitted for CRA credit and ask critical questions that promote this spirit. For example: Do the jobs created in that area pay well or provide a path to better employment? Does the business hire local residents? Will the business truly stabilize the neighborhood, or will it lead to the displacement of surrounding long-standing businesses? Is the housing affordable in good condition? Was the loan underwritten to preserve affordable housing or will it lead to displacement of long-time tenants? While we recognize we may lose some of that nuance in the multifamily community development in this study by separating those out from the other loans in this section, we continue to place a high importance on responsibly underwritten loans to owners of all types of affordable housing, rent-regulated, and subsidized housing. As discussed in the multifamily section, the 2014 regulation issued by the New York State Department of Financial Services is one very important step towards ensuring that multifamily community development loans are truly meeting the housing needs of lower-income people and communities and not causing harm. Other regulators are increasingly paying closer attention to this matter as well.

- **Banks should prioritize nonprofit developers.**

Affordable housing built and managed by a nonprofit developer is more likely to remain affordable in perpetuity, whereas housing built by a for-profit developer runs a greater risk of becoming market-rate when the subsidies expire. Likewise, the housing is more likely to be affordable to local residents. **Nonprofit community development corporations (CDCs) and developers are locally rooted and mission-driven to serve the low-income, immigrant, and high-needs populations in their communities, with many having done so successfully over decades.** They build and preserve permanent, deeply affordable housing; assist tenants in those units and throughout their neighborhoods; create space for local businesses that provide quality jobs; provide direct assistance to the businesses to grow and thrive; create new economic opportunities for people in the neighborhoods to find quality jobs; and provide a myriad of other services for the local communities.

ANHD's latest research revealed that for-profit developers have built much of the affordable housing being built through the de Blasio administration's Housing New York Plan. ANHD found that **74% of new-construction deals were by for-profit developers, while non-profit developers accounted for just 26% of new-construction deals.** Also, while nonprofits accounted for slightly over half of the preservation deals, the total units preserved was a smaller share at 43%. This reflects the smaller scale of the projects that nonprofits typically get.

ANHD continues its advocacy for the city to prioritize nonprofit developers more. We also believe that banks must take an intentional approach to partnering with nonprofits, particularly CDCs, to ensure that they have access to affordable equity and credit to further their missions. This includes **supporting the smaller and most effective nonprofit developers** with targeted affordable products to build and preserve affordable housing and create quality jobs. This includes acquisition and predevelopment costs, smaller loans and smaller deals, and more appropriate risk assessment that does not penalize nonprofit developers with higher fees and less desirable loan terms.

- **Banks should have a strong community development team with a presence in New York City.**

It has been ANHD's experience that the banks with the most effective reinvestment programs reflect a broad institutional commitment to bank reinvestment. Such commitment is demonstrated first with strong leadership that is knowledgeable about, engaged in, and committed to a bank's CRA programs. This leadership must then be supported by adequate staffing levels, with appropriate expertise dedicated to each of its local markets. Ideally, some of this staff and leadership will have come from the nonprofit sector, or at least have had the time to engage closely with nonprofit organizations that can provide them with a deep understanding of the communities in which they are operating. Similarly, we have found that the number of staff physically located in New York City is critical to the bank's ability to meet the City's needs. Indeed, the alphabet soup of funding and regulatory programs have created the most productive affordable housing and community development sector anywhere in the country, but also with a complexity and uniqueness that is particular to our city. Quality local staff can thoughtfully engage in what exists and be part of the process to develop new products and tools that meet the unique needs of the City and local neighborhoods. The size and scale of New York City also means that a bank has to understand that the community context of neighborhoods varies greatly from one neighborhood to another. The community development and lending needs of Long Island City in Queens are very different from those of Jackson Heights or Jamaica, just as the development and lending contexts of the Highbridge section of the Bronx are very different from the Grand Concourse corridor in the same borough. A bank needs locally engaged expert staff to fully understand the needs and the opportunities of these diverse neighborhoods.

TRENDS & FINDINGS

- **Community development lending and CRA-qualified investments increased in 2016. $4.9 billion in Community Development Lending, averaging 1.6% local deposits, up from $3.85 billion (average 1.6% deposits). $2.2 billion in CRA-qualified, averaging 0.34% local deposits, up from $1.85 billion (average 0.48% deposits).**

Among the 19 banks for which we have some community development data in both 2015 and 2016, community development lending and investment dollars together increased 25%, from $5.7 billion in 2015, to $7.1 billion in 2016. The average percentage of local deposits reinvested for community development loans decreased slightly from 1.7% to 1.6%, and the average percentage of CRA-qualified investments declined from 0.49% to 0.34%.

The reinvestment increase reflects a jump in both community development lending and CRA-qualified investment dollars. Community development lending increased 17% by volume and 28% by dollar in 2016. The dollar amount of CRA-qualified investments increased

TABLE 25: COMMUNITY DEVELOPMENT LOANS AND INVESTMENTS 2014-2015, 2015-2016							
($ millions)	2014	2015	# banks	2014-15	2016	# banks	2015-16
Community Development Lending							
# Loans	382	446	19	17%	521	19	17%
$ Loans	$3175.25	$3846.99	20	21%	$4932	20	28%
% to Deposits (Average)	1.1%	1.7%	20	46%	1.6%	20	-3.6%
CRA-Eligible Investments							
# Investments	176	230	18	31%	265	18	15%
$ Investments	$2367	$1852	19	-22%	$2184	19	18%
% to Deposits (Average)	0.44%	0.48%	19	8%	0.34%	19	-28%
CD Loans + Investments							
# Loans + Investments	558	676		21%	786		16%
$ Loans + Investments	$5542	$5699		2.8%	$7116		25%

by 18%, while the number of investments increased 15%. The biggest increase in volume was at Astoria Bank, bringing them closer to 2014 levels. Deutsche Bank and Capital One, too, increased their community development lending considerably – both doubling the number of loans. Valley National increased the number of loans by 89% and dollars by 21%.

Among the retail commercial and savings banks, once again Citibank and Signature Bank dedicated the most amount of money to community development loans, followed by Goldman Sachs and Capital One. After multiple years of declining dollars, Chase's dollars increased by 16% in 2016, but the number of loans went down 11%. Valley National, Sterling, M&T Bank, and Popular Community dedicated the highest percentage of local deposits towards community development lending. It is encouraging to see Valley National's loans increase, as they put their new CRA plan into effect. All four wholesale banks increased both the number and dollar amount loaned in 2016. BNY Mellon seems to be following their typical two-year cycle, but we do note that the $230 million is below the $284 million from two years prior.

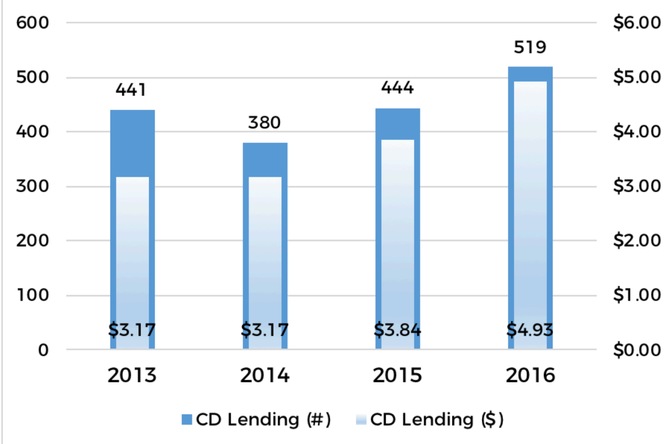
Among the retail banks, Bank of America, Capital One, Chase, and Citibank once again dedicated the most dollars in CRA-qualified investments. The number of Bank of America's investments declined slightly in 2016, but their dollar amount more than doubled. Santander increased the number of investments once again; the dollars invested went down slightly, but 2015 and 2016 levels are still well above prior years. Valley National made no new investments in 2016.

Investments increased considerably at Goldman Sachs, but declined at Deutsche Bank once again. Morgan Stanley made fewer investments, but at higher dollar amounts. HSBC and Wells Fargo declined to give data again in 2016, thus excluding them from the year-to-year analyses.

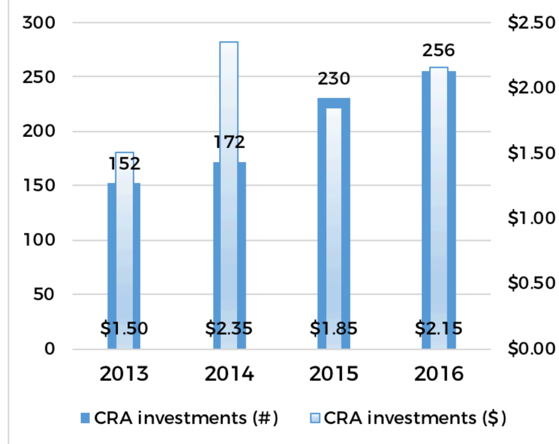
TABLE 26: 2016 HIGHEST % OF COMMUNITY DEVELOPMENT LOANS TO DEPOSITS						
	NYC Deposits	# Loans	$ Loans	% Deposits	% chg 2015-16 (#)	% chg 2015-16 ($)
Largest						
M&T	$4.15	22	$254	6.1%	-29%	4.6%
Capital One	$26.79	62	$413	1.5%	100%	7.8%
TD Bank	$18.84	49	$266	1.4%	-11%	-18%
Smaller						
Sterling	$1.00	16	$151	15.1%		
Valley National	$2.29	34	$170	7.4%	89%	21%
Popular Community	$3.68	32	$233	6.3%	3.2%	128%
Wholesale						
Morgan Stanley	$39.49	11	$234	0.59%	0.0%	170%
Goldman Sachs	$114	9	$515	0.45%	29%	75%
Deutsche Bank	$41.40	24	$150	0.36%	100%	53%

TABLE 27: 2016 HIGHEST % OF CRA-QUALIFIED INVESTMENTS TO DEPOSITS						
	NYC Deposits	# Invest.	$ Invest.	% Deposits	% chg 2015-16 (#)	% chg 2015-16 ($)
Largest						
Bank of America	$65.49	80	$384	0.59%	-12%	115%
Santander	$11.91	11	$59.41	0.50%	83%	-8.7%
TD Bank	$18.84	4	$70.11	0.37%	-43%	-12%
Capital One	$26.79	11	$98.76	0.37%	-35%	-45%
Smaller						
Sterling	$1.00	8	$29.14	2.9%		
BankUnited	$2.04	8	$28.08	1.4%	*from 0*	*from 0*
Ridgewood	$2.79	8	$23	0.82%	0	21%
Wholesale						
Morgan Stanley	$39.49	6	$107	0.27%	-40%	55%
Goldman Sachs	$114	11	$233	0.21%	10%	115%
BNY Mellon	$138		$151	0.11%		1.0%

CD lending for banks reporting in all 4 years 2013-16 (18 reported # loans, 19 reporting $ loaned)



CRA Investments for banks reporting in all 4 years 2013-16 (18 reported # investments, 19 reporting $ invested)

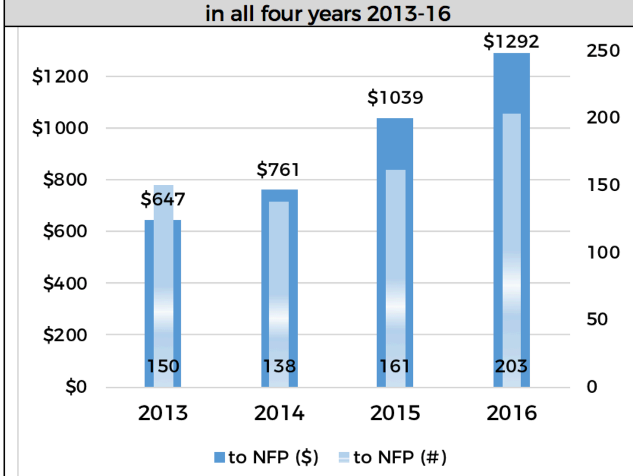


- Quality must be taken as seriously as quantity.

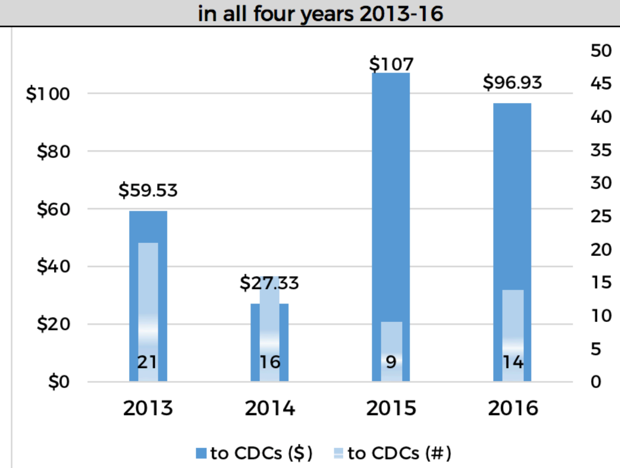
TABLE 28: COMMUNITY DEVELOPMENT LENDING TO NONPROFITS AND COMMUNITY DEVELOPMENT CORPORATIONS (CDC)

	2014	2015	Count	% chg	2015	2016	Count	% chg
CD Lending to Nonprofits overall								
to NFP (#)	140	163	17	16%	163	205	17	26%
to NFP ($)	$763	$1042	18	37%	$1042	$1295	18	24%
Avg. to NFP (#)	47%	47%	17	-1%	47%	54%	17	15%
Avg. to NFP ($)	31%	39%	18	26%	39%	43%	18	12%
Median to NFP (#)	45%	39%	17	-13%	39%	55%	17	42%
Median to NFP ($)	16%	31%	18	86%	31%	34%	18	10%
CD Lending to nonprofit CDCs								
to CDCs (#)	16	11	14	-31%	11	15	12	36%
to CDCs ($)	$27.33	$111	15	305%	$111	$97.43	13	-12%
Avg to CDCs (#)	5.5%	9.8%	14	79%	9.1%	5.9%	12	-35%
Avg to CDCs ($)	1.1%	8.7%	15	715%	8.1%	3.6%	13	-55%
Median to CDCs (#)	0.0%	0.0%	14	0.0%	0.0%	0.0%	12	0.0%
Median to CDCs ($)	0.0%	0.0%	15	0.0%	0.0%	0.0%	13	0.0%

CD Loans to **nonprofits** for 14 banks reporting this data in all four years 2013-16



CD lending to **CDCs** for 14 banks reporting this data in all four years 2013-16



We are pleased to see **increases in many categories related to nonprofit community development lending from 2015 to 2016**, including affordable housing loans, loans and lending to nonprofits in general, and loans to nonprofits for affordable housing. Because we analyze the permanent multifamily mortgages separately, these loans are more likely to be used to acquire, build, and rehabilitate affordable housing. In 2016, the number of investments to nonprofits declined, but the dollars invested increased. LIHTC investments increased again as well, bringing the volume and dollar amount this year well above 2013 levels.

We notice that banks with a community development team tend to do more intentional deals to support affordable housing, and economic development. For example, banks like New York Community Bank and Signature Bank do much of their community development lending through their core multifamily lending. We appreciate Signature reporting their lending to nonprofits for the first time this year, but note that the information they provided shows they only provided two such loans. New York Community Bank says they do not track loans to nonprofits and CDCs, but they will do so in the future, per the new CRA pledge they created. Through the narratives in the surveys provided to ANHD over the years, we know that some mortgage loans are to nonprofits and/or are deed restricted, but most are in private rent-regulated housing. They both also make non-housing commercial loans that qualify for additional credit, which typically seem to be based on the location of the loan such as in low- and moderate-income census tracts or areas targeted for redevelopment, often with less regard for the types of jobs created, or the services provided. We see this in their CRA exams and the surveys submitted to ANHD. We note similar trends with other smaller banks like Apple Bank, Popular Community Bank, and Ridgewood Savings Bank. Similar patterns emerge for investments. Banks can more easily buy mortgage-backed securities or invest in a LIHTC or general CRA fund, which may have some value, but are not as impactful as other types of investments, such as direct LIHTC investments, EQ2 investments, and other forms of equity more directly connected to the on-the-ground work. Of course, all banks will look for any loan that can qualify for CRA credit, but banks with community development teams will go beyond those.

As mentioned above, the increase in community development activity at Valley National Bank and Santander are directly related to an increase in staff and their intentionality in working with the nonprofit sector. Valley National Bank's improvement is a result of ANHD's and partners' advocacy during their acquisition of 1st United Bank in Florida. The OCC required the bank to create a CRA plan as a condition of the merger, giving us an opportunity to critique and enhance some of their practices; as a result, they are now implementing this plan and serving community needs better.[46] Santander, too, recently announced a broad commitment to CRA throughout their footprint, following a downgrade to Needs to Improve on their last CRA exam. Some of the large banks, including Bank of America, Capital One, Chase, Citibank, and TD Bank have long had large and well-respected community development teams, as do wholesale banks like Deutsche Bank, Goldman Sachs, and Morgan Stanley.

- **Banks should prioritize nonprofit developers.**

Community development lending to nonprofits increased 26% by number of loans and 24% by dollar amount in 2016. In nine banks, over half of their community development loans

46 Valley National Bank's CRA plan and first annual report: https://www.valleynationalbank.com/About/Community.aspx

TABLE 29: 2016 HIGHEST PERCENTAGE OF CD LENDING FOR AFFORDABLE HOUSING				
	Aff. Hsg Loans (#)	Aff. Hsg Loans ($)	% Aff Hsg (#)	% Aff Hsg ($)
Largest				
Citibank	25	$1024	58%	95%
Capital One	30	$330	48%	80%
Bank of America	10	$106	44%	77%
Smaller				
Valley National	21	$114	62%	67%
Ridgewood	3	$1.6	75%	62%
Astoria	1	$12	5.0%	52%
BankUnited	1	$0.5	50%	20%
Wholesale				
BNY Mellon		$230		100%
Morgan Stanley	8	$187	73%	80%
Deutsche Bank	19	$98.3	79%	66%

TABLE 30: Top 2016 LIHTC INVESTMENTS				
	LIHTC (#)	LIHTC ($)	% chg 2015-16 (#)	% chg 2015-16 ($)
Largest				
Chase	27	$175	238%	116%
Citibank	22	$166	144%	49%
Bank of America	4	$106	-43%	-18%
Capital One	8	$86.2	-38%	-52%
TD Bank	4	$70.11	-33%	-6.4%
Santander	8	$47.33	300%	24%
Smaller				
Signature	3	$74.4	200%	506%
Sterling	2	$17.4		
NYCB	1	$10	0.0%	0.0%
Ridgewood	1	$3	0.0%	0.0%
Wholesale				
Goldman Sachs	6	$214	500%	1511%
Morgan Stanley	4	$100	33%	223%
Deutsche Bank	1	$25	-67%	-44%

were to nonprofits by volume. In six banks, over half of the community development dollars loaned was to nonprofits as well. The number of **investments in nonprofits declined by 29%, but the dollar amount was fairly steady, up just 1%.** We are encouraged to see lending to nonprofits specifically for affordable housing also increased again in 2016. Nearly half of Valley National Bank's loans were to nonprofits in 2016, up from 33% in 2015 and years of few or none prior to that. TD Bank had been ramping up over the years. The volume declined in 2016, but we are pleased to see that most of their loans (42 of 49) still were to nonprofits, as were two of their four investments. Three of Santander's investments benefitted nonprofit developers for affordable housing fully, or at least partially. On the other hand, once again, none of Goldman Sachs' loans were to nonprofits. As in prior years, **very few loans went specifically to CDCs, but we are encouraged to see more in 2016, after a decline in 2015. Among the banks reporting in all four years, 21 loans were to CDCs in 2013, 16 in 2014, 9 in 2015 and 14 in 2016.** While in 2015 only three banks made loans to CDCs, five did in 2016: Capital One, TD, M&T Sterling, and BankUnited. Sterling is new to our survey, and we do not have their 2015 data. Chase does not report loans to CDCs, but we do recognize that they make loans to local CDCs as well. Citibank has been making more loans to nonprofits and CDCs in recent years, but none of their 13 loans to nonprofits in 2016 were to CDCs. Below are a few examples from reports to ANHD on these loans:

» Citibank highlighted three projects with units affordable to families earning 60% AMI, some with additional units for very low-income families below 30% AMI, formerly homeless people, and people with mental illness.

» BankUnited provided an unsecured line of credit to a local CDC that, among other things, builds and manages affordable housing. They also provide a warehouse line of credit to a nonprofit to make mortgages to LMI borrowers. Sterling too provided a line of credit to Neighborhood Housing Services of New York City to provide residential mortgages to lower-income borrowers.

» Capital One, Deutsche Bank, and Morgan Stanley continue to partner with nonprofit developers for affordable housing. In addition to a largescale healthcare deal in Brooklyn, Deutsche Bank helped finance senior housing in Corona, Queens, an immigrant community with very little affordable housing. Capital One highlighted loans, equity investments and grants to finance very low-income and supportive housing projects throughout the city.

» Valley National has been increasing its financing of affordable housing, some done through credit facilities created by the Community Preservation Corporation (CPC). They also have begun providing unsecured lines of credit to nonprofit affordable housing organizations as well as construction financing for affordable housing projects.

TABLE 31: 2016 COMMUNITY DEVELOPMENT LENDING TO NOT-FOR-PROFIT ORGANIZATIONS (NFP)

Bank	Total		... to NFPs		% NFP (# / $)	
Largest	#	$	#	$	#	$
TD Bank	49	$266	42	$216	86%	81%
Citibank	43	$1,081	31	$248	72%	23%
Chase	32	$358	20	$135	63%	38%
Bank of America	23	$139	9	$46.77	39%	34%
Smaller						
Astoria	20	$23.15	20	$23.15	100%	100%
BankUnited	2	$2.50	2	$2.50	100%	100%
Ridgewood	4	$2.60	3	$1.60	75%	62%
Wholesale						
Morgan Stanley	11	$234	11	$234	100%	100%
Deutsche Bank	24	$140	19	$130	79%	86%

TABLE 32: 2016 COMMUNITY DEVELOPMENT LENDING FOR AFFORDABLE HOUSING TO NON-PROFITS

	Aff hsg to NFP		% of aff hsg loans	
Largest				
Bank of America	8	$46.55	80%	44%
Citibank	13	$190	52%	19%
TD Bank	6	$25.4	50%	41%
Chase	5	$102	42%	54%
Smaller				
Astoria	1	$12	100%	100%
BankUnited	1	$0.50	100%	100%
Ridgewood	3	$1.60	100%	100%
Signature	1	$3.50	100%	100%
Popular Community	5	$32.60	33.3%	85.5%
Wholesale				
Morgan Stanley	8	$187	100%	100%
Deutsche Bank	17	$78.30	90%	80%

TABLE 33: 2016 COMMUNITY DEVELOPMENT LENDING TO NONPROFIT COMMUNITY DEVELOPMENT CORPORATIONS (CDCS)

	Total		... to CDCs		% to CDCs (# / $)	
Largest	#	$	#	$	#	$
Capital One	62	$413	7	$51.67	11%	12%
Bank of America	23	$139	2	$18.60	8.7%	13%
M&T	29	$362	2	$14.50	6.9%	4.0%
TD Bank	49	$266	3	$12.16	6.1%	4.6%
Smaller						
BankUnited	2	$2.50	1	$0.50	50%	20%
Sterling	16	$151	2	$7.50	13%	5.0%

TABLE 34: 2016 HIGHEST PERCENTAGE CRA-INVESTMENTS TO NOT-FOR-PROFIT ORGANIZATIONS (NFP)

	Total		... to NFPs		% NFP (# / $)	
Largest						
Capital One	11	$98.76	9	$71.69	82%	73%
Citibank	36	$326	10	$124	28%	38%
Santander	11	$59.41	3	$22.23	27%	37%
TD Bank	4	$70.11	2	$19.82	50%	28%
Smaller						
Sterling	8	$29.14	5	$18.49	63%	64%
Wholesale						
Deutsche Bank	2	$25.25	2	$25.25	100%	100%
Morgan Stanley	6	$107	6	$107	100%	100%
Goldman Sachs	11	$233	1	$21.44	9.1%	9.2%

- **All but three banks maintained or increased their community development staff serving New York City and/or being located in New York City.**

High quality, impactful community development lending and investments are directly connected to a strong local community development team that is knowledgeable, empowered to act, and engaged with the nonprofit sector. In this context, we are pleased to see that community development staff serving New York City increased by another 3% (396 to 408) after a 13% increase in 2015. Staff located in New York City increased 5% from 260 to 273. The biggest increases were at Capital One (53 to 63), Santander (12 to 16) and Popular Community (1 to 4). Valley National's staff stayed the same and Chase's staff declined, but both increased the number of people located in

New York City. Goldman Sachs's staff decreased by one person, but they still have one of the larger community development teams in the city. Most banks have long had their staff located in the City, including banks like Goldman Sachs where all 26 of their staff are in New York City, as well as Citibank, Chase, and Capital One which each have a large CD staff located in the City. On the other hand, New York Community Bank and Astoria continue to have all or nearly all their staff in Long Island. We hope Astoria's merger with Sterling leads to more staff in the City; however, we also know that Long Island is very close to New York City. The changes in staffing and intentionality at Valley National and Santander are clearly leading to larger and more impactful deals here in the City.

TABLE 35: HIGHEST PERCENTAGE COMMUNITY DEVELOPMENT STAFF IN NEW YORK CITY 2016

	2016			% change		
	CD Staff	... in NYC	% in NYC	CD Staff	... in NYC	% in NYC
Largest						
M&T	2	2	100%	0.0%	0.0%	0.0%
TD Bank	6	6	100%	50%	50%	0.0%
Citibank	31	30	97%	3.3%	0.0%	-3.2%
Bank of America	73	52	71%	0.0%	0.0%	0.0%
Capital One	63	41	65%	19%	-4.7%	-20%
Santander	16	10	63%	33%	11%	-17%
Chase	131	58	44%	-6.4%	7.4%	15%
Smaller						
Apple Bank	1	1	100%	0.0%	0.0%	0.0%
Popular Community	4	4	100%	300%	300%	0.0%
Dime	5	5	100%	0.0%	0.0%	0.0%
Ridgewood	9	9	100%	0.0%	0.0%	0.0%
Signature	2	2	100%	0.0%	0.0%	0.0%
Sterling	6	5	83%			
Valley National	8	6	75%	0.0%	87.5%	88%
Astoria	3	1	33%			
BankUnited	4	1	25%	0.0%	0.0%	0.0%
NY Community Bank	5	0	0.0%	0.0%	0.0%	0.0%
Wholesale						
Morgan Stanley	4	4	100%	33%	33%	0.0%
Deutsche Bank	6	6	100%	20%	20%	0.0%
BNY Mellon	9	9	100%	0.0%	0.0%	0.0%
Goldman Sachs	26	26	100%	-3.7%	-3.7%	0.0%

RECOMMENDATIONS

As in all sections, we encourage that banks and bank regulators follow the core principles discussed earlier, as well as integrate the following recommendations into their CRA related practices:

Banks should increase community development lending and investments, as well as direct substantial amounts to locally based CDCs and community organizations.

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

- Banks should **support the smaller and most effective nonprofit developers with targeted affordable products to build and preserve affordable housing and create quality jobs.** This includes the following:

  » **Acquisition and predevelopment costs.** The cost of land can be prohibitively high for nonprofit developers in New York City without additional resources. Banks should provide capital and equity, grants, "soft loans," and low-cost lines of credit to acquire land

and cover myriad other predevelopment costs.

» **Smaller loans and smaller deals.** Often, neighborhood-based CDCs have access to smaller properties, especially when competing with larger for-profit developers. They need affordable capital to take advantage of all opportunities to build and preserve affordable housing.

» **Appropriate risk assessment.** Nonprofit developers are often charged additional fees and receive less desirable loan terms because they are seen as riskier than more-resourced for-

CRA AT WORK: PRESERVING AFFORDABLE HOUSING WITH COMMUNITY-BASED MISSION-DRIVEN DEVELOPERS

The Community Reinvestment Act has been instrumental in bringing banks to the table to build and preserve affordable housing in New York City. Housing developed by community-based mission-driven developers (community development corporations, or CDCs) is understood the be a particularly high-impact investment because CDCs generally strive to create the highest level of public benefit in every housing unit they build. For example, as mission-driven entities, CDCs generally: build housing that is permanently affordable and more deeply affordable; as multi-service organizations, add to the stabilizing impact of the housing by bringing additional programs and social-services to their residents; and, as community-based organizations, build effective local civic leadership which adds to the social strength and resilience of their local at-risk neighborhoods.

Banks must understand how CDCs operate to underwrite the deals that will allow them to develop the property and sustain long-term affordability. They need to understand how to appropriately assess the risk of the CDC, which must go beyond the balance sheet to include all the other sources of financing and guarantees, as well as the track record of the organization. Ultimately, we want banks to do all they can to provide low-cost financing to support these projects.

ANHD member, St. Nicks Alliance, is one such CDC with a long, successful track record of developing affordable housing. Thanks to responsible bank reinvestment, coupled with government financing, St. Nicks Alliance was able to rehabilitate the Monsignor Alexius Jarka Hall housing, an existing 64-unit senior-housing project managed by the nonprofit People's Firehouse Inc. In this case, Citibank provided a letter of credit and a LIHTC investment, which went along with HDC bond financing. The building is located in Williamsburg, Brooklyn, one of the fastest gentrifying neighborhoods in the city. Over the past decade, rents have skyrocketed, leaving long-term residents, many of whom are low-income, immigrant populations, greatly at risk of harassment and displacement. The renovation included extensive capital improvements needed since the building was constructed in 1990.

profit developers. Banks should consider other factors when assessing risk with nonprofits. Some factors might include the number of years of experience the nonprofit has in managing and developing affordable housing, or the percentage of financially successful projects from their portfolios. Banks could also offer more favorable terms based on the ancillary benefits to the community that CDCs uniquely provide.

- **Banks and regulators must look at the overall impact of the activity** with respect to the quality of jobs created, the quality of housing, and the sustainability of the impact over time. They must ensure that the loan meets the needs of local communities and does not cause harm.
- **Banks should have a strong community development team with a presence in New York City.**
    - » The most effective reinvestment programs start with strong leadership. Banks should have a community development team located in or near New York City and be knowledgeable about, engaged in, and committed to a bank's CRA programs.
    - » Some banks have very knowledgeable staff, but they are not given sufficient resources or authority. Banks should empower local staff to fully engage in and support the wide range of community development activities.

ECONOMIC DEVELOPMENT

BACKGROUND

Economic development has long been considered the most misunderstood and challenging category within the CRA's categories of community development. Activities that further equitable economic development are even less understood. We are pleased to report, however, that is beginning to change, in part, due to the attention regulators have been putting on this category in recent years.

COMMUNITY DEVELOPMENT LOANS, INVESTMENTS, AND GRANTS

Under the CRA, loans that are not evaluated as standard small business loans (see below), investments, and grants can get community development credit under the economic development category if they meet both **a "size" and "purpose" test.**

- It meets the **size test** if it is determined to **finance** (directly or through an intermediary) **small businesses** as defined by Small Business Administration standards, or by having revenues of one million dollars or less. The new Q&A guidance broadens the definition of "financing" to include technical support that helps a business access financing.
- To meet the **purpose test,** the activity must promote economic development by **supporting permanent job creation, retention, and/or improvement for persons who are low- to moderate-income, or in low- to moderate-income geographies, or in areas targeted by governments for redevelopment.** Certain **investments in intermediaries that support new businesses,** and activities that **provide technical support and promote workforce development also qualify, regardless of income.** There are also some specific loans and investments that automatically meet this purpose test, such as New Markets Tax Credits, Small Business Investment Corporations, and Community Development Financial Institutions (CDFIs) that finance small businesses.

Activities that support equitable economic development, but do not meet both the size and purpose test or otherwise qualify for economic development credit might still get CRA credit under another category. Equitable economic development can encompass multiple sectors and strategies.

Many loans often qualify under economic development technically, but do not meet equitable economic development standards, which go beyond expanding the tax base, and beyond simply creating and preserving jobs. Equitable economic development is about the jobs being created, and the people being served. **Equitable economic development is about creating the systems and environments to create a stable middle and working-class employment base and workforce that creates a meaningful path to the middle class. It ensures that these systems and opportunities are intentionally extended to the low- and moderate-income and underserved communities that need them most through targeted strategies for quality job**

creation, small business development, and workforce development and placement. This can include financing manufacturing or retail space for nonprofit developers, financing for businesses that partner with government on local hiring and training opportunities, and technical support for immigrant businesses to build credit and access financing, among many other methods.

SMALL BUSINESS LOANS

In general, loans that are evaluated under the CRA as conventional small business loans cannot be considered as community development loans. These "small business loans" are actually business loans of one million dollars or less. CRA regulators evaluate them on: *1) the proportion of loans within the assessment area*; *2) the distribution of loans within low- and moderate-income census tracts; 3) the percentage of loans to* <u>*small businesses*</u>*, defined by having gross annual revenues of one million dollars or less*; and *4) the distribution of loans by loan amount (less than $100,000, $100,000-$250,000, and $250,000-$1 million)*. This data is extremely limited with regards to the loan type, outcome, borrower, and location, making it challenging to use as a full test of bank response to small business credit needs, but it is still a valuable indicator of overall small business lending. For some types of loans, particularly credit card loans and some renewals, banks may not consider revenue size in their underwriting, and they are not required to do so for any loan. Traditional loans and lines of credit are more likely to use revenue size, and given that revenue size is the only data we have available to determine a loan to a smaller business, we believe those loans are a better indication of a bank's record of small business lending. All types of loans are important, but lending to smaller businesses must carry more weight, thus this report evaluates loans to small businesses and their distribution within low- and moderate-income census tracts. ANHD was looking forward to the implementation of Section 1071 of the Dodd-Frank Wall Street Reform Act, which requires lending institutions to collect and disclose more data on small business lending, akin to what HMDA provides for home mortgages.[47] Unfortunately, with the change in leadership at the CFPB, coupled with massive bank deregulation bills in Congress, much of Dodd Frank will be rolled back or not implemented at all, as appears to be the case with Section 1071.

PRINCIPLES

Over the 40 years since the CRA was passed, New York City has developed one of the richest ecosystems and infrastructures in the country to build and preserve affordable housing. The CRA has fostered collaboration among governments, developers, nonprofit organizations, and banks that has led to the creation of a robust affordable housing infrastructure with a wealth of CRA motivated capital to support it. We still lack a similar ecosystem to drive equitable economic development in New York City. **There is no reason why government, developers, nonprofit organizations, and banks cannot take the same strategic intentional approach to economic development that has been taken for housing to develop the tools and resources needed to support New York City's businesses and workers.** A new ecosystem requires a comprehensive commitment of time and capital from banks and government, the

47 HR 4173 of 2010, Section 1071

expertise and collaboration of all stakeholders involved, and a commitment to work together.

- **First and foremost, banks that make small business loans have an obligation to lend equitably to small businesses.**

New York City is home to over 1.03 million businesses, of which 883,265 are "non-employers" (businesses operated solely by the owner).[48] Of the 237,329 employer businesses, 149,244 (63%) have just 1-4 employees. Access to capital is critical for these small businesses to grow, and for new businesses to form. This is especially the case in the Bronx, where fewer than 8% of small businesses are located, and just 5% of all small business loans are made. Yet, small businesses everywhere, and particularly low-income and women- and minority owned business, continue to face barriers in accessing financing from traditional banks. As a result, they are forced to borrow from friends and family, use personal savings, defer investment, or turn to less-regulated, higher cost, sometimes predatory online lenders.

Banks should be **meeting the credit needs of small businesses** – particularly those in low- and moderate-income tracts and businesses owned by low- and moderate-income people, people of color, and immigrants. This means significant bank lending to small businesses (revenues below $1 million) overall and in low- to moderate-income tracts. Banks should offer and market responsible affordable products for the wide range of businesses in New York City affirmatively. They should particularly emphasize traditional loans and lines of credit, which are more impactful than simply offering credit cards.

Banks should also partner with nonprofit organizations to help businesses access financing through second look programs, product development, financial education, credit building products and support, alternative forms of credit, and other technical supports. They should also provide additional support for immigrant businesses by providing services in local languages, accepting the IDNYC and other forms of identification, and being sensitive to local cultures.

- **Both Quantity and Quality matter in fostering Equitable Economic Development.**

New York City is at a pivotal moment in this time of persistent and growing economic inequality, which threatens the promise of opportunity in our City. New York State ranks number one in income inequality, with the top 1% of the population making 45.4 times the bottom 99%. In Manhattan, that rises to 115.6 times.[49] In New York City, the Independent Budget Office found that in 2014, the bottom 50% of earners accounted for just 5.6% of total earnings in the City, down from 7.4% in 2006. The median income for that group actually dropped over that same period.[50] Whereas the median incomes for the upper 50% grew modestly, with the greatest gains in the top 10% of income earners. This trend will only increase if the fastest-growing jobs pay low wages, such as in the retail and service sectors, and if low-income, minority, and immigrant populations continue to face barriers to better paying jobs.

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48 Census Quickfacts

49 http://www.epi.org/multimedia/unequal-states-of-america/#/New%20York

50 http://ibo.nyc.ny.us/cgi-park2/2017/04/how-has-the-distribution-of-income-in-new-york-city-changed-since-2006/

The CRA has been very successful in fostering collaboration among governments, developers, nonprofit organizations, and banks, which has led to the creation of a robust affordable housing infrastructure with a wealth of CRA motivated capital to support it. We are encouraged by the development of a few new tools over the years, but **we still lack the same overall infrastructure for economic development as we do for housing. It is time for the financial sector to step up with bold investments and targeted strategies to support equitable economic development in New York City.**

Banks should increase their capacity to support economic opportunities in New York City. While not all CRA activities that promote economic development will meet the strict "size and purpose" test, the expanded definition in the new Q&A should capture more activities under this category, which emphasizes the critical need to support small businesses. And regardless of the category, the **outcomes and impact are most important.**

While not an exhaustive list, the following strategies would have a lasting impact on New York City communities:

- » Increase the **volume and dollars** of community development loans, investments, and grants dedicated to equitable economic development.
- » Prioritize **high quality jobs** by looking more closely at **the impact of the activity** on the businesses and the jobs created, preserved or improved. This includes wages, workforce development, benefits, hiring strategies, and supports for small businesses.
- » **Partner with nonprofit developers, organizers, lenders, and service providers** to develop products and programs that will have the greatest impact. This includes funding research and capacity building as well as creating open lines of communication to understand trends, solicit feedback, and share industry expertise.
- » **Partner with nonprofit developers** to develop and manage affordable space for small businesses.
- » Invest in **CDFIs, credit unions, and other alternative lenders** that have strong track records of working with businesses run by people of color, women, and immigrants. This should include capital in the form of loans, deposits, EQ2, and other investments as well as grants to support the staff needed to deploy the capital.
- » **Dedicate staff** that are knowledgeable about, and focused on equitable economic development, and who are empowered to make strategic decisions to work alone and in collaboration with other financial institutions and government.

TRENDS & FINDINGS

- **The volume of small business lending is down slightly overall, and flat in low- to moderate-income tracts. The dollars loaned increased 10% overall and 20% in lower-income tracts.**

TABLE 36: SMALL BUSINESS LENDING IN NEW YORK CITY (FROM FFIEC DATA)													
Small Business Loans (Loans <$1M to Businesses with Revenue <$1M)								**Small Loans to Businesses (Loans <$1M)**					
	2013	**2014**	**2015**	**2016**	**2013-16**	**2015-16**		**2013**	**2014**	**2015**	**2016**	**2013-16**	**2015-16**
21 Retail Lenders in ANHD Study								**21 Retail in ANHD Study: Small Loans to Businesses**					
Total (#)	26,847	29,602	44,413	42,442	58%	-4%		82,461	99,948	108,627	112,227	36%	3.3%
Total ($)	$1129	$1033	$834	$914	-19%	10%		$3617	$3625	$3446	$3709	3%	7.6%
... in LMI tracts (#)	7,600	10,088	16,461	16,461	117%	0%		23,647	32,925	37,638	39,386	67%	4.6%
... in LMI tracts ($)	$324	$329	$251	$301	-7.1%	20%		$866	$991	$920	$1043	21%	13%
Avg Loan ($)	$42,051	$34,894	$18,789	$21,530	-49%	15%		$43,869	$36,273	$31,727	$33,047	-25%	4.2%
... in LMI tracts	$42,631	$32,625	$15,252	$18,294	-57%	20%		$36,624	$30,089	$24,439	$26,493	-28%	8.4%
All NYC Lenders: Small Business Loans								**All NYC Lenders: Small Loans to Businesses**					
Total (#)	71,009	78,480	103,548	99,117	40%	-4.3%		162,174	189,092	210,465	217,752	34%	3.5%
Total ($)	$1,695	$1,647	$1,535	$1,750	3%	14%		$5,157	$5,374	$5,424	$6,174	20%	14%
... in LMI tracts (#)	18,855	26,543	37,911	35,059	86%	-7.5%		42,776	60,251	71,120	71,464	67%	0.5%
... in LMI tracts ($)	$487	$553	$491	$575	18%	17%		$1,224	$1,486	$1,468	$1,752	43%	19%
Avg Loan ($)	$23,873	$20,987	$14,825	$17,655	-26%	19%		$31,798	$28,420	$25,770	$28,353	-11%	10%
... in LMI tracts	$25,827	$20,834	$12,962	$16,399	-37%	27%		$28,623	$24,670	$20,640	$24,514	-14%	19%

In 2016, small businesses loans (loans to businesses with revenues under one million dollars) among banks in this study largely mirrored city trends; both sets of lenders decreased the number of loans by 4% and increased the dollars loaned. The citywide dollars were up 14%, versus 10% among banks in this study; however, loans citywide in LMI tracts declined 7.5%, and the dollars increased 17%. Whereas, the banks in this study were flat in volume and increased 20% in dollars loaned. The average loan size increased among both sets of banks as well.

As mentioned in prior years, there is certainly a demand for smaller dollar loans, particularly at smaller businesses, but the demand is more for traditional loans and lines of credit rather than higher interest, shorter-term credit card loans. The biggest lenders - Bank of America, Capital One, Chase, and Citibank - each do a considerable amount of credit card lending. A total of 90% of Capital One's business loans and 97% of loans to small businesses were done through its credit card affiliate. At Chase, 92% of its business loans were done through the credit card affiliate. The percentage of dollars loaned by the credit card banks are lower because the loans through the retail bank are larger. Chase does not capture revenue size in its credit card loans, making it impossible to know how many of those loans were to small businesses. In 2014, 65% of Bank of America's lending overall, and 73% to small businesses was done through the credit card affiliate. That affiliate is now combined with the bank, so we cannot get the breakdown in 2015 or 2016, but we imagine it is a similar proportion. A commonly used indicator of a credit card lender, is one in which the average loan size is below $10,000. Both Capital One and Citibank again meet that criteria for small business loans. Both exceed that for all small loans to businesses, but are still the lowest among all lenders in the study ($18,280 for Capital One and $12,662 for Citibank).

Among the larger volume lenders (lenders that made over 1,500 small loans to businesses), only Chase and Bank of America increased the number of loans to small businesses from 2015 to 2016. Very few of Chase's small loans to businesses are to small businesses with revenues under $1 million (just 3% in 2016), but the increase is notable, up 90% from 638 to 1,212 in 2016. A total of 57% of Bank of America's loans were to small businesses, and their lending to small businesses increased 12% from 6,445 to 6,860. Capital One, Chase, Citibank, and Bank of America were all above 2013 levels of lending too. Both Santander and TD Bank increased their small loans to businesses overall, but their loans to small businesses declined from 2013-16 and also from 2015-16. TD Bank's lending declined rather sharply – down 51% - and Santander's loans went down again as well, but less so (down 24%). HSBC's lending declined yet again, overall and to small businesses, and even sharper in LMI tracts.

Six of the small to middle volume lenders increased their lending. Flushing Bank's small loans rose most sharply – 61 loans, up from 13 in 2013, and lower each year since then; yet, their overall volume of small loans to businesses went down. While it is possible revenue was not captured as well in 2015, it may also be reflective of new efforts to reach small businesses, which is positive. M&T's loans were flat overall, and loans to small businesses declined 8%, but they are still well above 2013 levels. Astoria's lending increased overall, but their loans to small businesses declined. Sterling, which just acquired Astoria Bank, has a much lower volume of loans and we look forward to working with them to adopt and expand upon some of Astoria's best practices, doing more to reach very small businesses in lower-income and immigrant communities, both through direct lending and also partnerships with CDFIs. Small business lending is a key piece of their CRA plan. Santander, too, focuses heavily on small businesses and economic development, both of which offer great opportunities to benefit lower-income, immigrant and minority New Yorkers.

Signature Bank's loans to small businesses declined sharply in 2015, and increased again in 2016, but still well below 2013 levels. This is likely due to the decline in taxi medallion lending as competition with for-hire companies, like Uber, has increased. New York Community Bank declined sharply as well, but their lending is more relationship based and likely to fluctuate over the years, depending on the size of loans made and demand among existing customers – they don't have a retail business banking presence.

We are also noting some progress in how banks are supporting small businesses in other ways. For example, TD Bank has long had a second look program with Acción, and includes CDFI's, like AAFE's Renaissance CDFI, on their declination letters in some areas. In this way, they are able to refer declined borrowers to more reputable sources, rather than less online lenders, which are more likely to be higher cost and predatory in some cases. Valley National Bank is in the process of developing a similar program with other nonprofit lenders and has also been working on their small business lending products. Citibank has long supported New York City's small business services centers as well as organizations that work directly with small businesses, particularly immigrant businesses. Goldman Sachs' *10,000 small businesses*, and Santander's support for non-traditional education programs for business owners are other ways to develop their skills and help them grow to the next level. Many banks also have supplier developer programs. While not technically eligible for CRA credit on their own, they are a way to support local minority- and/or women-owned business enterprises.

A number of new CRA plans in 2017 include small business lending and support as key areas:

» **Santander's** new "Inclusive communities" CRA plan places emphasis on small businesses and economic development on a variety of levels, including direct lending, partnerships with CDFI's, technical support, and community development loans and investments.

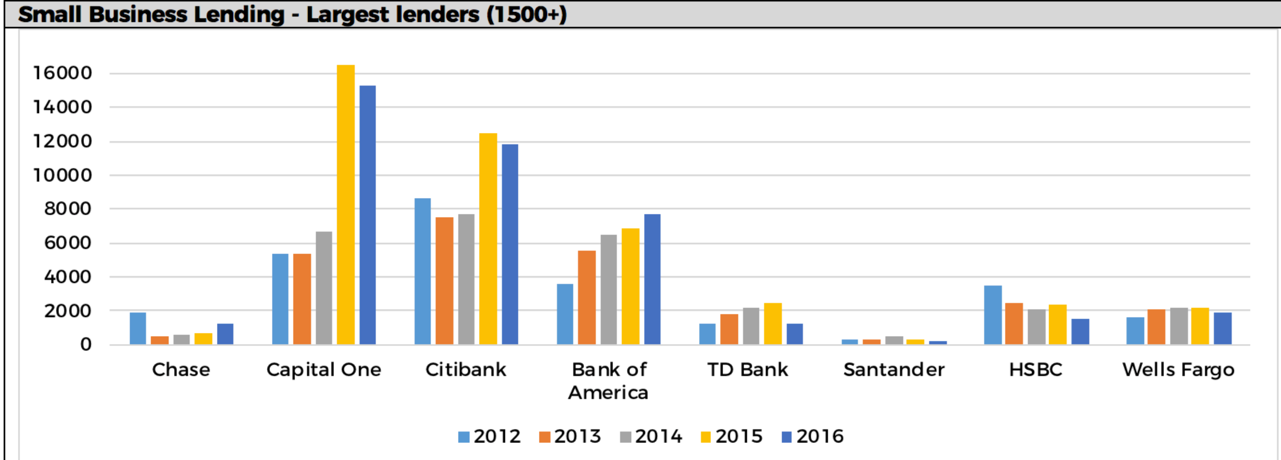
» **New York Community Bank's** 2017 CRA pledge includes a new $2M EQ2 investment specifically for small businesses, and will be implementing a referral program for potential borrowers who don't qualify for their set of products, which are not geared towards very small businesses.

» **Sterling Bank** acquired Astoria bank in 2017. They had a CRA plan in place following the acquisition of Hudson Valley Bank and are extending this commitment following the acquisition of Astoria. Small business lending is a key part of their new CRA plan as well.

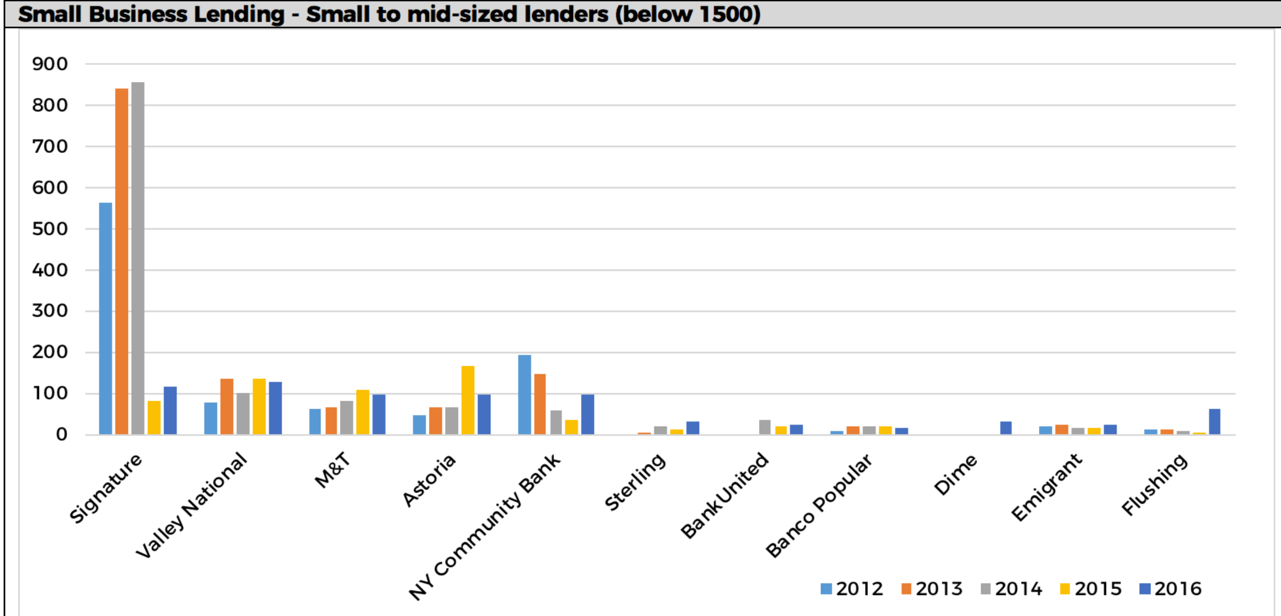
TABLE 37: 2016 HIGHEST PERCENTAGE OF CRA SMALL BUSINESS LOANS IN LMI TRACTS

	Small Business Loans: loans < $1M to businesses with revenue < $1M								All Small Loans to Businesses: Loans < $1M to businesses of any size				
	Total	% Total Loans (#)	Total ($m)	Avg. Loan size ($)	... LMI Tracts (#)	% LMI (#)	... LMI Tract ($m)	Avg. Loan size in LMI tract	Total	Avg size ($)	... LMI Tract (#)	% LMI (#)	Avg. in LMI tract ($)
Largest Volume Lenders (>1500 loans)													
Capital One	16,020	70%	$139	$8,677	6,988	44%	$52	$7,403	22,997	$18,280	9,443	41%	$13,354
Bank of America	7,678	57%	$104	$13,520	3,099	40%	$32	$10,378	13,587	$32,047	5,109	38%	$24,782
Citibank	11,900	76%	$106	$8,870	4,398	37%	$31	$6,943	15,590	$12,662	5,741	37%	$9,022
Santander	224	13%	$22	$98,071	79	35%	$8	$104,000	1,746	$102,422	505	29%	$119,212
TD Bank	1,214	26%	$38	$30,897	364	30%	$10	$27,440	4,583	$39,786	1,369	30%	$32,595
HSBC	1,538	48%	$89	$57,685	438	28%	$24	$55,000	3,207	$94,385	782	24%	$94,701
Chase	1,212	3%	$100	$82,808	342	28%	$34	$98,696	45,422	$28,558	15,068	33%	$23,387
Wells Fargo	1,921	58%	$71	$36,847	503	26%	$17	$33,103	3304	$52,827	842	25%	$50,734
Small to mid-sized lenders													
Dime	32	68%	$9	$268,656	19	59%	$4.96	$260,789	47	$208,660	26	55%	$211,731
Sterling	30	43%	$11	$363,000	17	57%	$6.84	$402,588	70	$339,943	33	47%	$355,758
Flushing	61	77%	$28	$464,016	34	56%	$15.45	$454,412	79	$438,937	39	49%	$436,436
Popular Community	16	34%	$5	$310,000	8	50%	$0.81	$101,125	47	$285,170	22	47%	$193,000
Signature	118	20%	$54	$459,610	48	41%	$24.40	$508,333	597	$239,710	160	27%	$318,381
Emigrant	24	100%	$11	$444,833	9	38%	$4.61	$512,222	24	$444,833	9	38%	$512,222
BankUnited	24	39%	$9	$388,833	8	33%	$3.02	$377,000	62	$555,839	15	24%	$487,867
Astoria	97	46%	$7	$76,495	30	31%	$2.72	$90,733	211	$83,834	77	36%	$95,221
NYCB	97	70%	$50	$515,546	29	30%	$14.87	$512,655	138	$491,551	34	25%	$470,471
Valley National	137	46%	$42	$307,752	31	23%	$12.29	$396,581	295	$323,786	68	23%	$323,000
M&T	99	45%	$19	$196,636	17	17%	$4.04	$237,882	221	$312,231	44	20%	$415,091

Small Business Lending - Largest lenders (1500+)

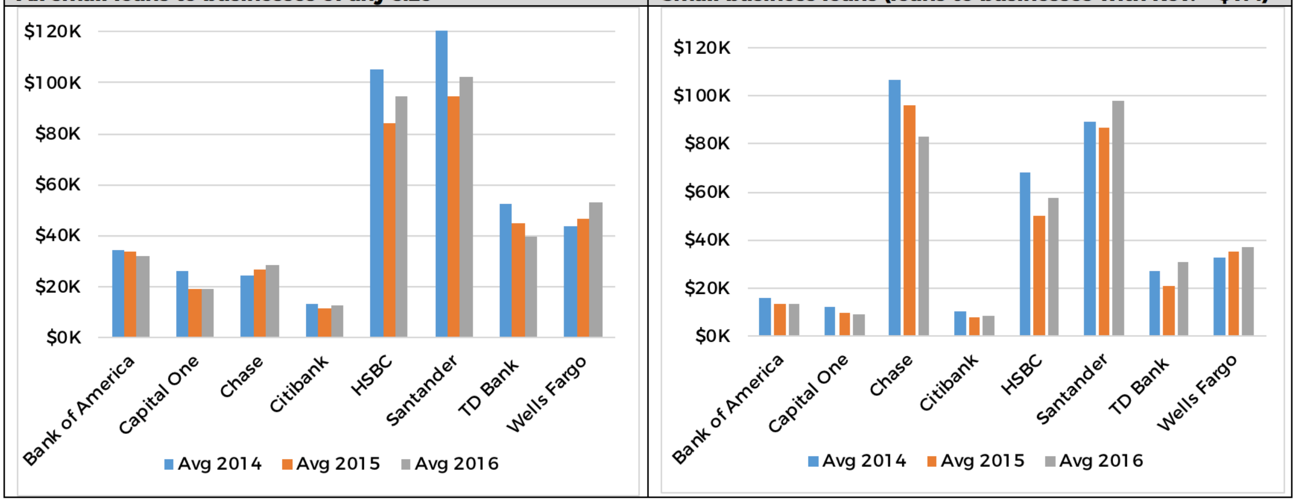


Small Business Lending - Small to mid-sized lenders (below 1500)



AVERAGE SIZE OF CRA SMALL LOANS TO BUSINESSES 2014-16 (Largest lenders)

All small loans to businesses of any size | **Small business loans (loans to businesses with Rev. < $1M)**



- **Both Quantity and Quality matter in equitable economic development reinvestment.**

QUANTITY

In 2013, the banks in this study reinvested $1.05 billion towards economic development, which we quantify as small business loans in low- and moderate-income tracts and community development loans, investments, and grants that fall under the economic development category under the CRA. In 2014, ANHD challenged the banks in this study to increase economic development dollars collectively from 2013 levels by $1 billion in these categories, as well as other investments that may not fall under that category but contribute to quality jobs. While it is difficult to measure the quantity outside of that category, we called for the majority to fall within it.

TABLE 38: ECONOMIC DEVELOPMENT REINVESTMENT IN NEW YORK CITY

	2013	2014	2015	2016	2013-16	2015-16
Community Development Loans**	$670	$535	$831	$1120	67%	35%
CRA-qualified investments	$43.3	$6.0	$47.5	$22	-49%	-54%
Grants	$8.0	$10.5	$12.5	$11.7	46%	-6%
Subtotal community development	$721	$551	$891	$1153	60%	29%
Small business loans in LMI tracts*	$324	$329	$251	$301	-7.1%	20%
Total	**$1045**	**$880**	**$1142**	**$1454**	**39%**	**27%**

*** Excludes Community development loans and investments for Wells Fargo and HSBC, who stopped responding, and Sterling is new in 2016, after acquiring Astoria Bank in late 2017 and is thus excluded from 2016 numbers for year-to-year comparison.*

** All small loans to businesses in low- to moderate-income tracts overall increased by 21% ($177) million from 2013-16, and by 13% ($124) million from 2015 to 2016.*

Investment in economic development increased sharply from 2015 to 2016, up $313 million, from $1.14 billion to $1.45 billion. This is up from $880 million in 2014 and $1.05 billion in 2013. Similar to 2015, the biggest increase was in community development lending, up 35% in 2016, followed by small business lending, which was up 20%. The dollars declined 54% in investments and 6% in grants, but we do note that grants for economic development are up considerably over 2013 levels.

Also, as in prior years, some of the increase in community development lending seems driven at least in part by commercial banks that are getting much of their credit based on the location of the

CRA AT WORK: THE INDUSTRIAL DEVELOPMENT FUND

Economic development is a key area of the Community Reinvestment Act, and one that has historically been misunderstood and underutilized. Over the past few years, ANHD has been advocating to increase access to quality jobs, with a particular emphasis on the industrial and manufacturing sector. With low barriers to entry and real career pathways, industrial and manufacturing jobs, whose average wages are twice that of the retail sector, are a crucial avenue of opportunity and equitable economic development for low-income communities.

In 2013 and 2015, ANHD released a series of white papers highlighting the importance of economic development under the CRA, and the missed opportunities for banks to reinvest meaningfully under this category. Through a scan of CRA exams, we found that the percentage of local New York City economic development-related bank reinvestment was significantly lower than national averages. This disparity, together with strong grassroots advocacy to protect the industrial sector in New York City, led the City to create a manufacturing plan for New York City. A key piece of this plan was the creation of the Industrial Developer Fund, which aims to increase the capacity of organizations to develop industrial real estate, and support the growth of a more robust mission-driven industrial development ecosystem.

The fund is designed to provide $150 million in public and private funds for developers that plan to acquire, construct, and/or renovate industrial real estate. The first project was done in 2017 with a nonprofit developer, the Greenpoint Manufacturing and Design Center (GMDC), to create a manufacturing space in Ozone Park, Queens. Sterling Bank and Chase provided private financing. Citibank has also been supporting the fund through grants and technical support. Nonprofit developers are mission-driven to create the greatest benefit for the community. They are uniquely positioned to use the Fund to increase the supply of affordable industrial real estate with an intentional strategy of maximizing the number of quality jobs for the communities that most need them.

loan, rather than the type of jobs created or the impact on low- to moderate-income people. It is more a reflection of a continuously improving market, rather than intentionality around equitable economic development. That being said, we also see loans to CDFI's for small business loans and other investments in projects that are leading to job growth. We also note that some of the loans are to nonprofits, which are likely to have a large impact than loans to for-profit businesses, especially those without an intentional strategy to grow or retain jobs, hire locally, and/or pay living wages.

Also, while the percentage of reinvestment dollars devoted to economic development remains low, we note improvement in some areas. The amount loaned for economic development increased from $856 million to $1.1 billion in 2016. On average in 2016, 28% of loans by volume and 24% by dollar amount were for economic development, down from 35% and 33%, respectively. When including multifamily community development loans, the percentages in 2016 were 11% (volume) and 8.4% (dollar), down from 12% and 9.7%, respectively. The average percentage of CRA-qualified investment dollars went from 9.3% to 7.5%, but the percentage by number of investments went from 12% to 16%. The median remained at 0% because most banks did not have any investments in that category.

The average percentage of grant dollars to economic development was fairly steady at 21%. In 2016, an average of 21% and a median of 15% of grant dollars went towards economic development.

TABLE 39: 2016 PERCENTAGE OF COMMUNITY DEVELOPMENT LENDING TO ECONOMIC DEVELOPMENT ($ IN MILLIONS)

Community development under the CRA includes some permanent multifamily loans, but ANHD separates them out for analysis. This chart shows the percentage of community development lending for economic development by both measures.

	CD Lending (#)	CD Lending ($)	Economic Devt. Loans (#)	Economic Devt. Loans ($)	% CD Lending w/out MF (#)	% CD Lending w/out MF ($)	CD Loans Incl. MF (#)	CD Loans Incl. MF ($)	% CD Lending w/ MF (#)	% CD Lending w/ MF ($)
Largest										
Bank of America	23	$139	6	$14.2	26%	10%	23	$139	26%	10%
Santander	5	$20.2	2	$3.9	40%	19%	23	$147	9%	3%
M&T	22	$254	6	$143.0	27%	56%	29	$412	21%	35%
Capital One	62	$414	9	$8.0	15%	2%	174	$1391	5%	1%
TD Bank	49	$266	1	$0.3	2%	0%	49	$266	2%	0%
Chase	32	$358	0	$0.0	0%	0%	99	$554	0%	0%
Citibank	43	$1081	0	$0.0	0%	0%	57	$1371	0%	0%
Smaller										
Signature	100	$567	98	$562.9	98%	99%	369	$1806	26%	10%
NYCB	48	$267	47	$259.3	98%	97%	274	$1479	17%	18%
Astoria	20	$23.2	19	$11.2	95%	48%	64	$169	30%	7%
Sterling	16	$151	6	$74.1	38%	49%	29	$200	21%	37%
Ridgewood	4	$2.6	1	$1.0	25%	38%	117	$158	1%	1%
Popular Community	32	$233	6	$35.5	19%	15%	33	$239	18%	15%
Valley National	34	$170	5	$16.8	15%	10%	50	$259	10%	6%
Apple Bank	1	$8.0	0	$0.0	0%	0%	13	$78.4	0%	0%
BankUnited	2	$2.5	0	$0.0	0%	0%	19	$185	0%	0%
Dime	0	$0.0	0	$0.0			62	$242	0%	0%
Wholesale										
Morgan Stanley	11	$234	2	$36.2	18%	16%				
Deutsche Bank	24	$150	3	$27.4	13%	18%				
Goldman Sachs	9	$515	0	$0.0	0%	0%				
BNY Mellon		$230	0	$0.0		0%				

TABLE 40: 2016: CRA-QUALIFIED INVESTMENTS FOR ECONOMIC DEVELOPMENT

	CRA Invest (#)	CRA Invest ($)	Econ Devt (#)	Econ Devt ($)	% econ Devt (#)	% econ Devt ($)
Largest						
M&T	3	$0.3	3	$0.3	100%	100%
Capital One	11	$98.8	4	$12.6	36%	13%
Santander	11	$59.4	2	$2.1	18%	3.5%
Bank of America	80	$384	2	$1.0	2.5%	0%
Chase	34	$547	0	$0.0	0%	0%
Citibank	36	$327	0	$0.0	0%	0%
TD Bank	4	$70.1	0	$0.0	0%	0%
Smaller						
Sterling	8	$29.1	1	$13.4	13%	46%
Astoria	2	$11.8	0	$0.0	0%	0%
BankUnited	8	$28.1	0	$0.0	0%	0%
Dime	1	$3.0	0	$0.0	0%	0%
NYCB	2	$17.6	0	$0.0	0%	0%
Ridgewood	8	$23.0	0	$0.0	0%	0%
Signature	45	$82.7	0	$0.0	0%	0%
Popular Community	1	$15.4	0	$0.0	0%	0%
Valley National	0	$0.0				
Wholesale						
Goldman Sachs	11	$233	3	$5.7	27%	2%
Deutsche Bank	2	$25.3	1	$0.3	50%	1%
BNY Mellon		$151		$0.0		0%
Morgan Stanley	6	$107			0%	0%

TABLE 41: 2016: CRA-QUALIFIED GRANTS FOR ECONOMIC DEVELOPMENT

	Grants (#)	Grants ($)	Econ. Devt (#)	Econ. Devt ($)	% econ Dev (#)	% econ Dev ($)
Largest						
Capital One	224	$10.5	71	$4.16	32%	40%
Chase	54	$9.9		$3.66		37%
Santander	48	$1.5	11	$0.24	23%	16%
M&T	247	$1.6	27	$0.22	11%	14%
Citibank	116	$16.3	11	$0.89	9.5%	5.4%
Bank of America	45	$2.9	3	$0.09	6.7%	3.1%
TD Bank	127	$1.9	0	$0.00	0.0%	0.0%
Smaller						
Astoria	27	$0.19		$0.10		50%
Dime	11	$0.23	5	$0.11	45%	46%
Valley National	39	$0.24	19	$0.10	49%	43%
BankUnited	32	$0.28	7	$0.07	22%	24%
Sterling	12	$0.20	2	$0.04	17%	18%
Ridgewood	98	$0.09	10	$0.01	10%	16%
Apple Bank	115	$0.15	6	$0.02	5.2%	15%
Popular Community	36	$0.37	6	$0.04	17%	12%
NYCB	212	$1.31	33	$0.15	16%	12%
Wholesale						
Goldman Sachs	127	$10.7	4	$1.33	3.1%	12%
Deutsche Bank	108	$6.8	13	$0.6	12%	9.4%

QUALITY

As in all community development lending, particularly economic development, the impact is crucial. A loan to finance a retail center in a low- to moderate-income tract that happens to employ low-wage workers is much less meaningful than a business that hires locally, pays living wages, and offers opportunities for underserved populations. We appreciate that the new CRA Q&A document places stronger emphasis on the latter, but the CRA still allows for both, nevertheless. In fact, regulators added categories that do not require any impact on low- and moderate-income people or neighborhoods, which makes it all the more important for the regulators to pay attention to the impact as much as, if not more so, than the location of the loan or investment.

We are pleased to see an increase in grant making to support access to jobs and supports for small businesses. Grants to support workforce development, financial literacy, and access to capital are particularly impactful. Citibank supports many local immigrant-led and community-based organizations to increase access to jobs and support small businesses; they also report a number of neighborhood-based efforts to support job entrepreneurs throughout the five boroughs with loans and technical support. Notable, is their support for organizations to hire new staff and expand programs, which will certainly increase their impact. They also are supporting a new worker-owned coop in the NYCHA housing near the new Hallets Point redevelopment in Long Island City. Bank of America continues to support several sector-based initiatives run by local nonprofits, including Cypress Hills Local Development Corporation, to connect to jobs that are in higher demand today.

Fewer banks make loans that support meaningful access to jobs, be it through business loans and lines of credit or real estate loans. New York Community Bank, M&T, Popular Community Bank, and Signature Bank, for example, all increased lending for economic development again, but that appears to be due to an increase in their commercial business in areas that happen to qualify for economic development credit. While access to credit in low-income areas is important, these types of CRA-qualified loans often have little attention paid to the quality of jobs or connections to nonprofits that will help connect people to quality jobs.

However, some banks are doing more. Only a few banks use New Markets Tax Credits (NMTCs) which can be a valuable tool to support quality jobs. Chase, Capital One, and Goldman Sachs did in 2016. As mentioned in prior reports, Deutsche Bank's Working Capital program expanded in 2014 to include economic development, in addition to its traditional housing focus. This well-respected program is comprised of grants and "recoverable grants" (zero interest loans) to support community development projects; it is one of the few that helps with acquisition and pre-development costs. Capital One supports a number of job training and capacity building programs, including supporting Brooklyn Workforce Innovations (BWI), which has a local, sector-based approach. Six banks in this study were part of the Change Capital fund in 2016—Chase, Capital One, Citibank, BankUnited, Deutsche Bank, and M&T—which has a multi-pronged approach to support neighborhood-based organizations to increase economic mobility for their communities. Santander has joined the collaborative since then too.

Goldman Sachs continues to place a strong emphasis on economic development as part of their strategy, although the loans they report were not classified as such, perhaps because they fell under other categories such as neighborhood revitalization or community services. They have provided loans to CFDIs and other mission-driven over the years. As part of their *10,000 Small Businesses* initiative, they continue to support CDFIs that lend to small businesses, many of which are immigrant-led and minority- and/or women-owned business enterprises. For example, they support New York Business Development Corporation and Business Outreach Center Network.

Lastly of note, two banks entered small business lending. Dime made small business loans for the first time in 2016. Ridgewood recently became an approved Small Business Administration (SBA) lender, and we expect them to make loans in 2017; previously, they have only offered loans through a referral partner, NewTek. We encourage both banks, and all banks to implement a second look program and referrals to nonprofit CDFI's.

RECOMMENDATIONS

As in all sections, we encourage that banks and bank regulators follow the core principles discussed earlier, as well as integrate the following recommendations into their CRA related practices:

RECOMMENDATIONS FOR REGULATORS

- **Educate banks on the new** equitable economic development **Q&A revisions,** and ways to effectively incorporate them into their CRA activities to promote equitable economic development.
- Place the highest emphasis **on activities that benefit lower-income workers and neighborhoods** with quality jobs. Despite removing the word "currently" in the Q&A, a bank could still get credit for supporting low-wage jobs. **Regulators can also provide tools** to more readily determine if a particular deal meets the "size and purpose" test under the CRA.
- **Promote high quality jobs in community development lending and investments** by looking more closely at the quality of the business environment and the jobs created, preserved, or improved to gauge their impact. This includes wages, workforce development, benefits, hiring strategies, and supports for small businesses that create quality jobs. Not all CRA activities that promote economic development will meet the strict "size and purpose" tests, but could have a meaningful impact on the types of jobs created and preserved.
- Uphold the spirit of the law. **Two major areas of the "purpose test"** – investments in intermediaries supporting new businesses and additional technical supports – **do not require any benefit to low- to moderate-income people or geographies.** These are very important areas to promote, but we encourage regulators to uphold the spirit of the law, such that **activities that do not benefit underserved populations – or worse, lead to their displacement – should not get CRA credit.**
- **Raise the need for quality jobs in the performance context; include economic development organizations in the Community Contacts; benchmark the percentage**

of loans, investments, and services to each category of community development; and highlight best practices in the PE and CRA literature. One of the best ways for banks and the community to understand what qualifies for CRA credit and what is important to regulators is through the bank's CRA exams as summarized in the **Performance Evaluation (PEs).**

- **Give extra CRA credit for equitable economic development activities.** As indicated in the new CRA guidance, activities that give low- to moderate-income individuals and other underserved communities access to quality jobs and a path to the middle class should be considered responsive and possibly innovative.
- **Provide more scrutiny of loans that automatically get CRA credit for economic development** to ensure they are truly creating quality jobs and economic opportunities to the people and communities that need them most, focusing more on the people and less on the place.

RECOMMENDATIONS FOR BANKS

- Develop a well-resourced, high capacity community development team that understands economic development. Commit to working with all stakeholders to develop a coordinated set of financing vehicles, resources, and expertise that can be tapped into by developers, lenders (CDFIs and CDCs), and small businesses themselves.
- **Devote more dollars towards equitable economic development** through community development loans, investments, and grants in order to bring the local bank reinvestment industry more in line with the national average and raise the bar nationwide.

  (1) Dollars for community development loans, investments, and grants towards economic development as well as any activities that fall under other CRA categories but still support quality jobs and increased economic opportunities through local hiring, workforce development, and small business supports.

  (2) Additional dollars for small business loans in LMI tracts, with particular emphasis on loans to women- and minority-owned small businesses and immigrant entrepreneurs as well as affordable smaller dollar loans to micro-enterprises.

- Ensure that economic development loans, investments, and services have an **intentional strategy to create, preserve, and improve quality permanent jobs.**
- Provide direct financing as well as capital and expertise to public-private partnerships that lead to the **development of affordable manufacturing space**. This may happen through existing or new financing mechanisms. Banks should make an extra effort to **provide financing to nonprofit developers of industrial space where jobs are more likely to pay wages that can benefit** low- to moderate-income **community members.**
- **Increase traditional small business lending in low- to moderate-income census tracts and to smallest businesses**; increase access to affordable loans and lines of credit; consider

alternate forms of credit; provide flexibility for long-standing businesses that hit upon hard times; create products that match sector needs; have loan staff that can do intentional outreach in low- to moderate-income and immigrant communities; and implement a **"second look" program** that refers declined borrowers to alternative lenders who can provide loans and technical assistance and help businesses enter the banking mainstream in the future.

- **Provide both capital and philanthropic support to nontraditional lenders, CDCs, and Local Development Corporations that support these businesses to supplement traditional bank lending.** These institutions incorporate "high-touch" models that provide extensive support to borrowers; they also provide one-on-one support training, workforce development, and resources to help small businesses operate more efficiently and effectively. **Banks can also provide in-kind support, such as mentoring, training, financial literacy, and skills-building for small businesses and nonprofits serving them.**
- Offer **credit building products** and provide **support for nonprofits that provide financial education and help small businesses prepare to access credit** to help more businesses access financing**.**

PHILANTHROPY / CRA-ELIGIBLE GRANTS

BACKGROUND

Nonprofit community development organizations, including community development corporations (CDCs), work on the ground to respond to the needs of the low- and moderate-income, immigrant, and minority communities in which they work. **These groups are mission-driven to serve their communities with activities across the community development spectrum, including building and preserving affordable housing, creating and preserving quality jobs, and increasing access to credit and banking.** Many do all of this and more.

One way that financial institutions can receive CRA credit as well as support the good work of these nonprofit community development organizations is through CRA-eligible grants. These grants are technically considered "investments" under the CRA, and they are evaluated under the investment test. Because of their relative small size to other larger investments, such as tax credits and bond purchases, but also because of their significant importance to low- and moderate-income communities that the CRA seeks to support – we analyze them separately in this report.

Banks and their foundations support a wide variety of organizations – from schools, to the arts and culture, to affordable housing. CRA-eligible grants in particular must support community development as defined by the law to increase access to affordable housing, provide community services, promote economic development, and revitalize or stabilize communities. These grants must be qualified by regulators, similar to other categories of loans and investments submitted for CRA credit. In this report, we also analyze the percentage of grants going to neighborhood-based organizations. These are the local organizations, including but not limited to CDCs, which are working on the front lines with people most in need. We place a high emphasis on partnering with such organizations.

PRINCIPLES

CRA-eligible grant making is a critical source of funding for many community development organizations. Banks should implement strategic programs informed by these principles in order to best support these organizations in carrying out their missions to serve and empower low-income, immigrant, and minority populations throughout New York City.

- **Banks should sustain or increase grant making each year.**

Nonprofits respond to urgent community needs within their communities and citywide consistently. They rely on stable funding in good times and bad to carry out their missions. Given the ongoing threats of major cuts to funding – many likely to become a reality – coupled with changes in the tax law that may reduce financial incentives for people to donate, banks should make an effort to sustain or increase grant making each year, regardless of deposits or profits. This is the one area of the CRA where they do not get a return on investment and thus demonstrates a true commitment to the community development movement. The banks that take this most seriously dedicate **closer to 0.03% of local deposits towards grants**.

- **Banks should dedicate at least 50% of grants towards neighborhood-based organizations.**

Neighborhood-based organizations are locally based, many of which work on the ground to empower their communities and improve their neighborhoods. Giving directly to neighborhood-based organizations demonstrates an intentional commitment to New York City neighborhoods. ANHD members often are looking for funds to further their missions. This encompasses the wide range of community development activities, including but not limited to financial literacy, home purchase counseling, workforce development, pre-development and acquisition costs, grants to CDFIs to complement loans and investments, and community organizing.

General operating funds are particularly valuable as they give organizations the flexibility they need to carry out their missions day-to-day and respond to new and emerging needs. One challenge nonprofits like ANHD members often face is the changing nature of grant priorities. The work our members do – from specific projects, such as building and managing affordable housing and providing financial services, to longer-term organizing for social change – takes time and requires funding that will support staff and resources over the long-term. More, it requires funding that is flexible enough to understand the ebbs and flows of the nonprofit work. This may not be flashy, but it is proven to be effective. Multi-year funding and general operating support are two ways that banks can demonstrate their commitment to the grassroots community development and organizing work CDCs do so effectively.

- **Banks should adopt best practices for effective community development grant making.**

Community development grant making is about the dollars invested and the intentionality behind those dollars. Grant dollars are much smaller than other CRA-qualified investments and loans, but their impact can be magnified when deployed in a thoughtful manner. Banks that adopt these principles for at least some of their grant making have an impact on community development that goes beyond just the dollar amount.

» **Work closely with the nonprofit sector to truly make community development grant making as impactful as possible.** As with all areas of a bank's CRA activities, banks should be in regular communication with the nonprofit sector to understand the greatest needs and latest trends. This would inform any new grant making strategies and programs, and ensure that any changes are well understood and create the minimum negative impact on current or future grantees.

» **Be accessible through a transparent Request for Proposal (RFP) process.** Current and potential grantees should readily understand how to apply for a grant from any bank foundation. The guidelines, process, and timeline should be clearly laid out. Current and potential grantees should have access to decision-making staff who can help them through the process to understand the process and funding decisions, including whether the grant is approved or denied.

» **Be highly intentional with a specific theory and goal underlying the grant making.** Banks cannot meet all community development needs through their loans and investments or their grants. In order to maximize impact, they should build upon their relationships with the nonprofit sector, coupled with the bank's own expertise and business, to develop programs that are strategic and impactful.

TRENDS & FINDINGS

- **CRA-eligible grants increased in 2016. The distribution remains unequal, as the trend continues of larger grants to fewer organizations, particularly in some of the larger banks.**

TABLE 42: CRA-ELIGIBLE GRANTS 2014-15, 2015-16								
	2014	2015		2014-15	2015	2016		2015-16
Grants NYC (#)	1492	1563	17	4.8%	1748	1812	18	3.7%
Grants NYC ($ in millions)	$66.09	$64.89	18	-1.8%	$64.89	$70.15	18	8.1%
Avg. grant per bank ($'s)	$31,200	$37,220	17	19.3%	$36,520	$40,672	18	1%
Avg. grant size overall (total grants/total #) ($'s)	$39,686	$38,602	17	-2.7%	$37,122	$38,717	18	4.3%
Neighborhood-based grants (#)	585	631	16	7.9%	631	773	16	23%
Neighborhood-based grants ($ millions)	$10.24	$11.38	16	11%	$11.38	$11.80	16	3.6%

TABLE 43: CRA-ELIGIBLE GRANTS AMONG 17 banks reporting all four years 2013-16							
	2013	2014	2015	2016	2015-16	2013-16	Count
Grants NYC (#)	1503	1492	1563	1666	6.6%	11%	16
Grants NYC ($ in millions)	$67.89	$66.09	$64.89	$70.15	8.1%	3.3%	17
Average Grant size per bank	$33,954	$31,200	$37,220	$40,962	10.1%	21%	16
Avg. grant size overall (total grants/total #) ($'s)	$40,156	$39,686	$38,602	$38,978	1.0%	-2.9%	16
[Morgan Stanley didn't report # of grants 2013-14, but did report $'s every year – overall averages adjusted to reflect that]							

CRA-eligible grant dollars increased 8% ($5.3 million) in 2016, following a slight decline in 2015. Among the banks for which we have data from 2013 through 2016, grant-making by dollar is up 3.3% and 11% by volume. The average grant sizes over the years match the trend we have been seeing, wherein banks are giving larger grants to fewer organizations. Among the 16 banks for which we have number and dollar of grants over the past four years, the average grant size per bank went from $33,954 up to $40,962 (averaging the average grant size for each bank). Looking at the total average (total grants divided by total grant dollars), however, the average grant declined from $40,156 to $38,9783.

Most banks continue to dedicate less than one tenth of one percent of their local deposits to grants. **Banks that take CRA most seriously dedicate closer to 0.025%-0.033% of local deposits to CRA-eligible philanthropy**, including Capital One and M&T Bank. We note that Citibank typically also comes within this range, but their deposits jumped in 2016, bringing it down to .0019%, still the third highest percent of deposits, and also the largest dollar amount by far among all 25 banks. Similarly, New York Community Bank has been close in the past, but also had a jump in deposits, bringing them down to .013% of deposits. Unlike Citibank, however, New York Community Bank's grant-making dollars declined in 2016. We are pleased to see the increase at Santander, from $703,500 (.007%) in 2015 to $1.5 million (.013%) in 2016.

On the other end of the spectrum, Bank of America and Chase continue to dedicate less than 0.01% of deposits, and TD Bank dropped to 0.01%. We recognize that Chase's deposits are so much larger than any other bank (for example, $487 billion, versus Citibank's $91 billion and Bank of America's $66 billion) and thus are not likely to come close to the same benchmark. After a sharp drop in grant-making in 2015, we are pleased to see the dollars up once again to $9.9 million. Whereas Bank of America's grant-making budget has been static for the past four years at an average of $3 million each year.

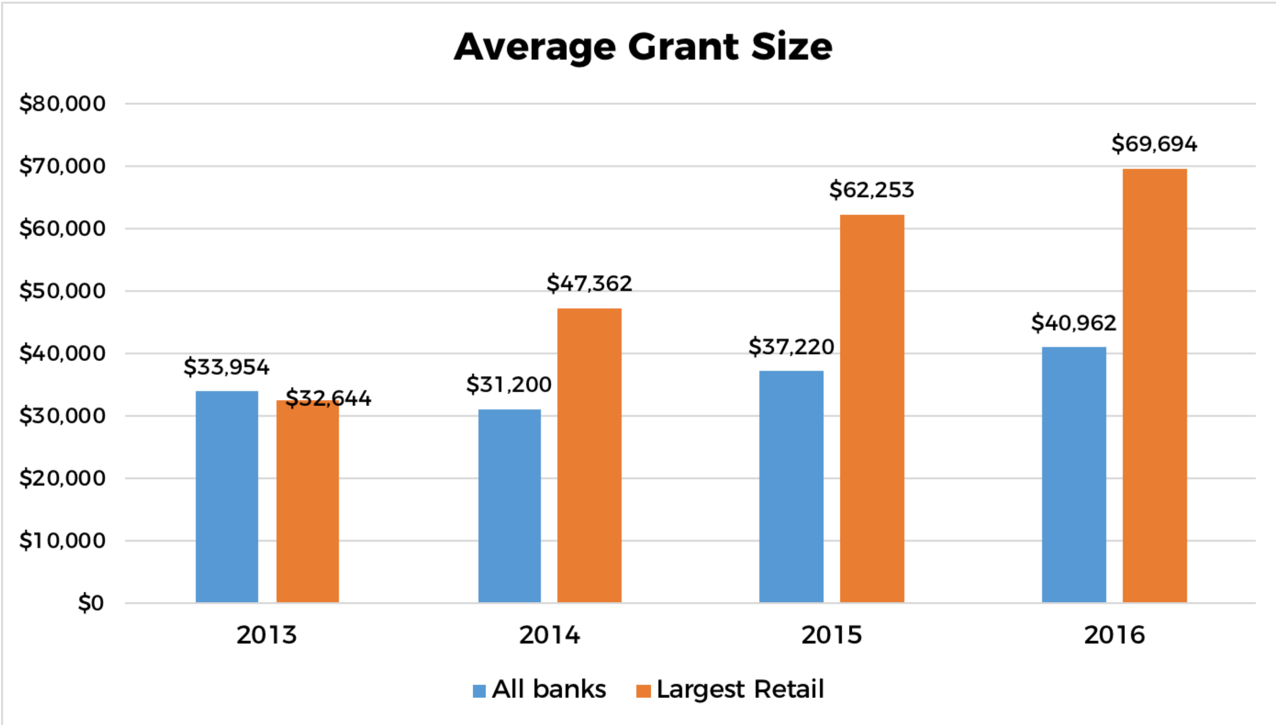
At most of the smaller banks, the percentages are much lower, below 0.01%. Valley National's grant-making continues to increase as they implement their CRA plan. They reached $236,250 in 2016, up from $66,000 in 2015 and $50,000 in 2014. Apple Bank reported a sharp increase in the number of grants, and a smaller increase in dollars.

Among the wholesale banks, Deutsche Bank, and Morgan Stanley are at 0.015% - 0.017%. Deutsche Bank's grant dollars declined from 2015 to 2016, but is still well over the level of giving from 2012 through 2014. The number of grants have declined over the years. Morgan Stanley's grants increased in 2016, but is still below their 2013 level of giving in New York City. Goldman Sachs is now below .01%; absent an overarching community development focus in grant making, their level of CRA-eligible grants fluctuates widely from year to year.

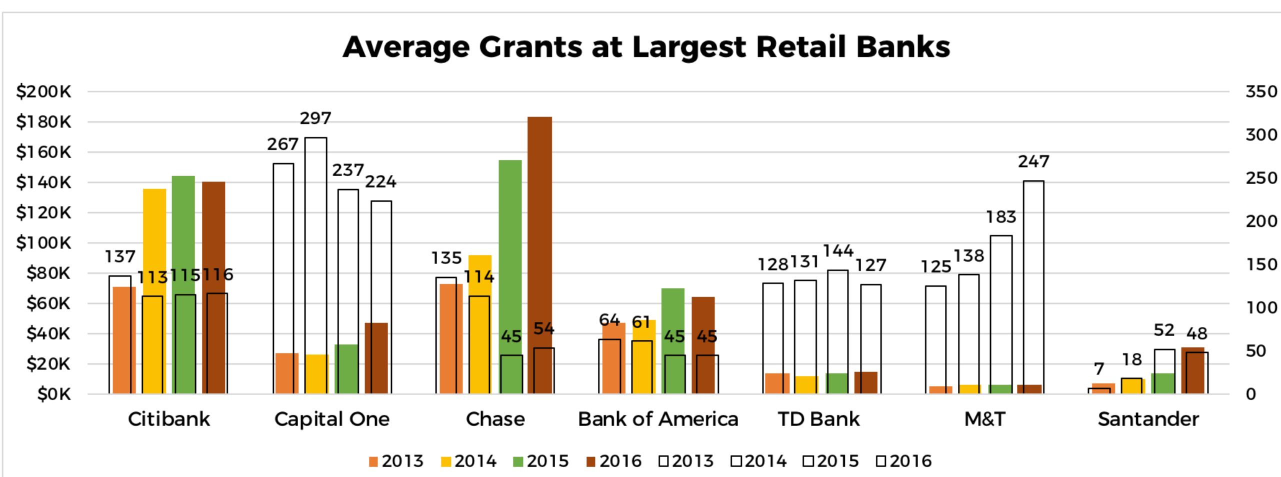
TABLE 44: HIGHEST PERCENTAGE OF GRANTS TO DEPOSITS

	2015				2016				2015-16	
Bank	Deposits (b)	Grants (#)	Grants ($)	% to Deposits	Deposits (b)	Grants (#)	Grants ($)	% to Deposits	% change (#)	% change ($)
Largest										
Capital One	$26.9	237	$7,773,045	0.029%	$26.8	224	$10,516,905	0.039%	-5.5%	35%
M&T	$3.3	183	$1,084,801	0.033%	$4.1	247	$1,603,470	0.039%	35%	48%
Citibank	$61.7	115	$16,581,750	0.027%	$91.4	116	$16,338,100	0.018%	0.9%	-1.5%
Santander	$10.1	52	$703,500	0.007%	$11.9	48	$1,493,500	0.013%	-7.7%	112%
TD Bank	$16.8	144	$1,979,511	0.012%	$18.8	127	$1,855,478	0.010%	-12%	-6.3%
Bank of America	$64.0	45	$3,162,048	0.005%	$65.5	45	$2,900,403	0.004%	0.0%	-8.3%
Chase	$437	45	$6,989,000	0.002%	$487	54	$9,903,000	0.002%	20%	42%
Smaller										
Sterling	$1.4				$1.0	12	$200,000	0.020%		
BankUnited	$1.8	28	$234,500	0.013%	$2.0	32	$279,000	0.014%	14%	19%
NYCB	$6.3	194	$1,470,000	0.023%	$10	212	$1,309,000	0.013%	9.3%	-11%
Valley National	$2.3	13	$66,000	0.003%	$2.3	39	$236,250	0.010%	200%	258%
Popular Community	$3.4	31	$456,101	0.013%	$3.7	36	$372,837	0.010%	16%	-18%
Dime	$2.2	7	$198,000	0.009%	$2.9	11	$230,000	0.008%	57%	16%
Astoria	$3.5	30	$206,000	0.006%	$3.5	27	$193,500	0.006%	-10%	-6.1%
Ridgewood	$2.7	104	$88,000	0.003%	$2.8	98	$85,875	0.003%	-5.8%	-2.4%
Apple Bank	$6.9	15	$97,550	0.001%	$7.2	115	$148,000	0.002%	667%	52%
Wholesale										
Deutsche Bank	$42.7	133	$7,281,500	0.017%	$41.4	108	$6,775,050	0.016%	-19%	-7%
Morgan Stanley	$26.3	185	$4,553,864	0.017%	$39.5	146	$5,217,775	0.013%	-21%	15%
Goldman Sachs	$77.8	187	$11,964,064	0.015%	$114	127	$10,696,734	0.009%	-32%	-11%

ANHD members have noted over the past few years that banks seem to be changing their grant making strategies, and that fewer grants are going to larger organizations. These trends continue to be reflected in the data. The number of grants increased in 2016 by 4%, but the dollar amount increased more (8%). Looking at total grant dollars divided by the total number of grants, the average grant size increased modestly from $37,122 to $38,717. When we look at the average grant size per bank, the average of those amounts increased from $36,520 in 2015, to $40,962 in 2016. We have data all four years from Bank of America, Capital One, Chase, Citibank, M&T, Santander, and TD Bank, and this information shows that the average grant per bank jumped from $37,220 in 2013 to $40,962 in 2016. The increase is most pronounced in the largest retail banks, going from $47,362 in 2014, to $62,253 in 2015, to $69,695 in 2016.



We see this within individual banks as well. While the dollar amount stayed the same or increased in many of these large banks, the number of grants from the biggest donors – Bank of America, Capital One, Chase, and Citibank – decreased in 2014 and 2015, some into 2016. The number of grants at Capital One declined each year from 2014-16, while dollars increased. Chase's grants increased slightly, but are still well below 2013 and 2014 levels, while the dollars increased dramatically, bringing the average grant well above any prior year. Bank of America's grant budget has been static at around $3 million; the number of grants dropped sharply in 2015 from over 60 to 45 and stayed there in 2016. We saw this same shift earlier at Citibank, but they have been fairly steady each year from 2014-2016.



Grant making patterns are not as prominent in the smaller banks; they tend to fluctuate more in both number and dollar of grants, as they tend not to have the same community development structure as we see at the larger banks. In general, changes at these banks are due more to who applies in any given year, rather than a change in strategy. With that said, Valley National's grants have been increasing steadily following the CRA plan and they are building up their community development team in a more intentional way. BankUnited, too, has a dedicated community development team that intentionally supports community development grant making. Dime has been investing in neighborhood-based organizations more in recent years too. The wholesale banks have community development teams and a set of defined programs, as well as their broader grant-making. Grant making at the three banks that report this data to us has also fluctuated.

- **Grant making increased to neighborhood-based organizations**

TABLE 45: CRA GRANTS TO NEIGHBORHOOD-BASED ORGANIZATIONS (NBO)								
	2014	2015	# banks	% chg	2015	2016	# banks	% chg
NYC Grants (#)	1492	1563	17	5%	1748	1812	18	4%
NYC Grants ($)	$66.09	$64.89	18	-1.8%	$64.89	$70.15	18	8.1%
NBO Grants (#)	585	631	16	7.9%	631	773	16	23%
NBO Grants ($)	$10.24	$11.38	16	11%	$11.38	$11.80	16	3.6%
Average (#)	42.8%	44.9%	16	4.8%	44.9%	46.8%	16	4.3%
Average ($)	40.2%	41.9%	16	4.2%	41.9%	39.9%	16	-4.8%
Median (#)	36.1%	42.6%	16	18%	42.6%	46.9%	16	10%
Median ($)	35.9%	33.1%	16	-7.8%	33.1%	35.2%	16	6.4%

Among the banks that provided this data for this report, we are pleased to see the number and dollar amount of grants to neighborhood-based organizations increase once again in 2016. This increase follows a sharp decline in dollars in 2014, which was driven by a drop at Goldman Sachs, whereas the increases in dollars 2015 and 2016 were more evenly spread across the banks, although not universally so. Apple Bank's increase impacted the increase in the volume of grants.

Citibank's grants to neighborhood-based organizations had been increasing in recent years. The number declined in 2016, but the dollar amount was mostly the same, up slightly (30 grants for $1.64 million in 2014, 52 grants for $3.01 million in 2015, and 40 for $3.09 million in 2016). M&T Bank and Santander have also increased their grant dollars to neighborhood-based organizations, but the number of grants to neighborhood-based organizations at Santander declined in 2016. Santander has been picking up their CRA activity overall in the past two years and we are pleased that along with the increase, over half of their grants go to neighborhood-based organizations. Chase does not report on its grant making to neighborhood-based organizations, but anecdotally, we hear they have been doing less local grant making in recent years as more decision are made centrally.

As in prior years, the smaller banks tend to dedicate higher percentages of their grants to local organizations. Only Astoria Bank and Valley National Bank were below 50% by volume. Dime surpassed 50% for the first time, demonstrating a change to give grant dollars more intentionally to local neighborhood-based community development organizations. Grants to NBOs declined at Astoria Bank and is only about a third of Sterling Bank's grant-making; we encourage the newly merged bank to look at ways to ensure their collective grant making increases and reaches local organizations. Valley National Bank's grant making continues to increase, as does its percentage of grants to NBOs. Among the wholesale banks, only Deutsche Bank and Goldman Sachs report this data. Deutsche Bank continues to be recognized for their commitment to local organizations, but still only 20% of their grants were to neighborhood-based organizations, down from 25% the prior year. At Goldman Sachs, just 13% did in 2015 and 17% in 2016.

TABLE 46: HIGHEST PERCENTAGES OF GRANTS TO NEIGHBORHOOD-BASED ORGANIZATIONS (NBO) ($ MILLIONS)												
	2015						2016					
	Total (#)	Total ($)	...to NBO (#)	... to NBO ($)	% NBO (#)	% NBO ($)	Total (#)	Total ($)	...to NBO (#)	... to NBO ($)	% NBO (#)	% NBO ($)
Largest												
M&T	183	$1.08	116	$0.60	63%	55%	247	$1.60	168	$0.95	68%	59%
Bank of America	45	$3.16	13	$0.91	29%	29%	45	$2.90	24	$1.00	53%	35%
Santander	52	$0.70	31	$0.38	60%	54%	48	$1.49	21	$0.54	44%	36%
TD Bank	144	$1.98	47	$0.47	33%	24%	127	$1.86	47	$0.49	37%	26%
Citibank	115	$16.58	52	$3.01	45%	18%	116	$16.34	40	$3.09	35%	19%
Capital One	237	$7.77	40	$0.73	17%	9.3%	224	$10.52	33	$0.69	15%	6.6%
Smaller												
Apple Bank	15	$0.10	12	$0.09	80%	89%	115	$0.15	112	$0.13	97%	89%
NYCB	194	$1.47	126	$0.88	65%	60%	212	$1.31	161	$0.91	76%	70%
Ridgewood	104	$0.09	85	$0.07	82%	75%	98	$0.09	64	$0.05	65%	53%
Dime	7	$0.20	1	$0.05	14%	25%	11	$0.23	6	$0.13	55%	57%
Popular Community	31	$0.46	20	$0.38	65%	84%	36	$0.37	19	$0.19	53%	51%
BankUnited	28	$0.23	14	$0.10	50%	42%	32	$0.28	16	$0.10	50%	36%
Astoria	30	$0.21	12	$0.08	40%	37%	27	$0.19	10	$0.06	37%	32%
Sterling							12	$0.20	4	$0.05	33%	25%
Valley National	13	$0.07	5	$0.02	39%	28%	39	$0.24	12	$0.07	31%	28%
Wholesale												
Deutsche Bank	133	$7.28	32	$2.13	24%	29%	108	$6.78	18	$1.50	17%	22%
Goldman Sachs	187	$11.96	25	$1.51	13%	13%	127	$10.7	22	$1.91	17%	18%

- **More banks are adopting best practices for community development grant making.**

A few banks stand out as collaborating with the nonprofit sector in identifying priorities and creating programs. Citibank has long been a leader in this area. They consistently fund affordable housing and organizations working with immigrant populations, and in more recent years, they have been expanding to encompass more around economic development. Capital One and M&T Bank are also well-respected for their support of the community development movement, including supporting community organizing, an area that is not as well funded as other areas. Likewise, Deutsche Bank's Working Capital program is a long-standing pillar of the community development movement, providing grants and recoverable loans for pre-development costs, which can be particularly steep in a high-cost market like New York City. That program has historically focused on affordable housing. In recent years, they expanded the program to include economic development projects as well. Deutsche Bank, too, has a set of impactful grant programs benefiting immigrant communities, with a particular emphasis on Mexican communities in New York City.

M&T Bank and Capital One have remained consistent in their funding for organizing and base-building groups. Capital One reported that the decline in grants to neighborhood-based organizations did not impact the grants that support affordable housing and economic development through their central community development unit. We are pleased that BankUnited, a fairly new entrant into the New York City market, has made a strong commitment to general operating funds through their grants. New York Community Bank, too, through is new CRA program, is implementing a new grant-making program that will support tenants in rent-regulated buildings.

Many banks now have an official RFP and/or clear guidelines on how to apply for a grant from the bank, and we commend this change. Citibank and Capital One, however, remain invitation only for most grants. Citibank has instituted an RFP for some of their grant making programs. We recognize that they both do extensive outreach to identify potential grantees and encourage them to consider an RFP as well. We were pleased to learn that in 2017, Goldman Sachs reintroduced its community development grant making program with an RFP process. While this has always been a small portion of their grant-making, it is an impactful program.

Many banks now have an official RFP and/or clear guidelines on how to apply for a grant from the bank, and we commend this change.

The smaller banks tend not to have RFPs, but instead support groups with which they have relationships. We appreciate this support for local organizations and encourage them to consider a more open transparent process so as to give more organizations a chance to apply. Given the low percentage of deposits dedicated to CRA-eligible grants among some of these same banks, we believe there is opportunity to continue this support of current grantees and expand the grant making to include more organizations. As part of their CRA plan, Valley National Bank developed an RFP for their community development grant making, setting a good example for the field. New York Community bank, too, implemented one that was released in 2018.

In addition to the programs already mentioned at Citibank and Deutsche Bank, other larger banks have specific focus areas that are strategic and intentional. Bank of America, for example, has specific focus areas for their grant making, including economic development and affordable housing. They are also recognized for their long-standing "Neighborhood Builders" program, which provides a large grant of $200,000, coupled with in-depth professional development and support for organizational leaders. BNY Mellon's Powering Potential program has consistently supported workforce development for underserved populations. Goldman Sachs, too, has a history of supporting economic development, including support for local CDFIs with grants and capital, both of which are needed for the CDFIs to carry out their missions. Chase has repurposed their grant making to align with their three focus areas. We appreciate the thought that went into Chase's new programs, but as has been mentioned before, the change in focus came at the expense of long-standing grants to smaller organizations. While grant-making increased from 2015-2016, it is still below 2014 levels in dollar amount, and well below that in volume. We hope to see that return in coming years.

Finally, strategic collaborations are an important part of the community development funding landscape. **When funders come together with the nonprofit community development sector, they have the opportunity to provide larger grants in strategic areas.** Coalitions, like the New York Mortgage Coalition and Center for New York City Neighborhoods for example, provide funding to these intermediaries that distribute funds to, and provide support for smaller organizations for the collective goal of increasing access to homeownership. Another example we have cited before is the Change Capital Fund, which launched in 2014 to support community-based CDCs to use data-driven approaches and grassroots strategies to expand economic opportunity for their communities, which are predominantly low-income, immigrants, and people of color. As always, these are just a few examples of quality philanthropy we commend.

Again, nonprofit organizations, especially smaller CDCs, rely upon grants in good times and in bad. With the prospect of federal funding cuts looming, private grants will be critical to help sustain these groups. This includes grants for general operating support, affordable housing, financial education, and equitable economic development. We encourage all banks to adopt the best practices outlined here in order to maximize the impact of their grant making programs.

RECOMMENDATIONS

As in all sections, we encourage that banks and bank regulators follow the core principles discussed earlier, as well as integrate the following recommendations into their CRA related practices:

- We appreciate that some regulators have been splitting out bank grants in some instances on CRA exams under the investment test, and recommend they continue to do so to highlight their impact on low and moderate-income communities.

Banks can amplify the impact of their community development grant making by doing the following:

- **Sustain or increase grant making each year.** Nonprofits rely upon grants in good times and bad, and thus banks should make an effort to sustain or increase grant making each year, regardless of deposits or profits. Most banks that take this most seriously dedicate **closer to 0.03% of local deposits towards grants**.

- **Dedicate at least 50% of grants towards neighborhood-based organizations.** Grants to neighborhood-based organizations that provide general operating support and support affordable housing, equitable economic development, and financial literacy are particularly impactful; however, as described next, most important is to be connected to the local organizations so that the grant making reflects local needs.

- **Adopt best practices for effective community development grant making.** Community development grant making is about the dollars invested, and the intentionality behind those dollars. Grant dollars are much smaller than other CRA-qualified investments and loans, but their impact can be profound when deployed in a thoughtful manner.

ANHD has also developed a set of principles for impactful community development grant making:

- **Work closely with the nonprofit sector.** As with all areas of a bank's CRA activities, banks should be in regular communication with the nonprofit sector to understand the greatest needs and latest trends. This should inform any new grant making strategies and programs and ensure that any changes are well understood and create the minimum negative impact on current or future grantees.

- **Be accessible through a transparent RFP process.** Current and potential grantees should readily understand how to apply for a grant from any bank foundation. The guidelines, process, and timeline should be clearly laid out. Staff should be accessible to potential and current grantees throughout the process.

- **Be highly intentional, with a specific theory and goal underlying the grant making.** Banks cannot meet all community development needs through their loans and investments or their grants. In order to maximize impact, they should build upon their relationships with the nonprofit sector, coupled with the bank's own expertise and business, to develop programs that are strategic and impactful.

Banks that adopt these principles for at least some of their grant making have an impact on community development that goes beyond just the dollar amount.

APPENDIX A

FULL METHODOLOGY

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

The report includes both year-to-year comparisons and analysis of the current year's data. In order to make fair comparisons, only institutions that provided information in both years (2015-16) were included in trending analysis year to year. For this reason, there is some data that banks provided for 2015 or 2016 that we could not use for year-over-year analysis since the same information was not provided in the previous year. Appendix A details all information that we received from each lender. HSBC and Wells Fargo failed to provide data once again, so we relied solely upon public data for these banks (HMDA, CRA small business, branching and bank products). Flushing Bank has never responded to our survey. In 2014, we used data from Flushing Bank's most recent FDIC CRA exam, making every effort to match the data to our categories and making some estimation for New York City. But without more recent 2015 data, this impacts year to year comparisons in some categories. We respect the work Carver does as one of the few mission driven, black-owned banks in the City and country. But, due to their capacity, and small size relative to the other banks, we removed them from the study.

ANHD used public data wherever possible, and bank-reported data elsewhere. In order to match FDIC reporting times, we use deposits and branching as of June 30th of the reporting year. The data we used includes:

- FFIEC and CFPB for "HMDA" 1-4 family lending and missing multifamily lending (HMDA data used when multifamily lending was not provided by the bank),
- FFIEC and CRA Wiz for small business lending
- FDIC for New York City deposits, bank branches not supplied by the bank, Tier 1 capital, assets, and national deposits
- Bank annual reports and CRA examinations
- Bank websites and printed materials

Some information found through these methods is imprecise for our purposes. For example, not all refinance loans are HMDA reportable, which largely impacts multifamily lending, thus the data retrieved from there may be underrepresented.

Overall, the amount of data we received enabled us to conduct this analysis, but it is admittedly imperfect given the fact that some banks did not report across all data points. One of ANHD's key priorities is to require banks to report this important information on an annual basis, particularly those seeking to do business with New York City. The banks' responses are summarized in Appendix A.

While individual indicators are useful in ascertaining a bank's year-over-year record in a certain area over time, ANHD also compares banks to their peers. In previous years, we separated banks by classification: commercial, savings, and wholesale, which historically operated fairly distinctly. Commercial banks focused more on providing financial services to corporations while savings banks focused more on residential 1-4 family and multifamily buildings mortgages and savings accounts. Today, the lines between commercial and savings banks have blurred and operate quite similarly in many areas. We use these categories to classify banks by size:

- **Largest banks:** Retail Commercial and Savings Banks with $50 billion or more in assets.
- **Smaller banks:** Retail Commercial and Savings Banks with fewer than $50 billion in assets.
- **Wholesale banks:** These are commercial banks that are not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect. They provide financial services to other large corporations or governments. For CRA purposes, they are evaluated by more narrowly defined standards.

OVERALL REINVESTMENT VOLUME INDEX AND QUALITY SCORE

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

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

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

Service includes branching, banking practices, and staffing in New York City (and community responsiveness for wholesale banks).

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

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

ADDITIONAL FACTORS

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

MULTIFAMILY HOUSING: PHYSICALLY AND FINANCIALLY DISTRESSED HOUSING

The Building Indicator Project (BIP) is a database created by ANHD-member organization University Neighborhood Housing Program. University Neighborhood Housing Program's BIP database assigns properties to a particular lender based on records pulled from the City's Register (ACRIS), which records mortgage activity in New York City. The most recent Party 2 on a mortgage document (excluding satisfactions) is used, and mortgages recorded in the past 10 years are counted in this analysis.

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

We used the most recent BIP database from December 2017.

Another indicator we analyzed is a simpler indicator of physical neglect, based on the number of B and C violations. We believe a building is very likely to be physically distressed if the ratio of all open B and C violations to total units is greater than or equal to "4".

We then analyzed the percentage of these physically distressed buildings in a given lender's portfolio.

RACIAL DISPARITIES IN HOME PURCHASE LENDING

ANHD uses Home Mortgage Disclosure Act (HMDA) data to examine lending patterns, including racial disparities in both home purchase and refinance loans originated for 1-4 family homes.

We look at 1-4 family, owner-occupied, first-lien loans (Conventional, FHA, or VA). For racial disparities, we breakdown in the following racial/ethnic categories:

- White: Race is "White" and Ethnicity is "Not Hispanic or Latino, Not Provided or Not Applicable."
- Asian: Race is "Asian" and Ethnicity is "Not Hispanic or Latino, Not Provided or Not Applicable."
- Black: Race is "Black or African American" and Ethnicity is "Not Hispanic or Latino, Not Provided or Not Applicable."
- Latino: Ethnicity is "Hispanic or Latino."

CHECKING ACCOUNTS/ACCESS TO BANKING SCORE

- Overdraft policies: The Pew Charitable Trusts studies were used for overdraft policies in 2016. For banks not in that study, we supplement with information from bank websites and materials.
- Checking account fees and requirements were retrieved from individual bank websites, supplemented with calls or visits to the bank when the data was unclear. Standards are based on local needs and the BankOn national account standards.

APPENDIX B

SUMMARY OF RESULTS FOR ALL 25 BANKS

Year	Total for 2016	# Responses 2016	# Banks for which we have data in both 2015-16
Staffing			
Community Development Staff Serving NY	414	21	19
Community Development Staff Located in NYC	277	21	19
Staff supporting CRA Activity	484	21	19
CRA Staff Located in NYC	262	21	19
Average % Community Development Staffing located in NYC	77.3%		
Branches & Deposits (billions)			
Tier 1 Capital (BHC)	$803	25	25
Total Deposits (National BHC)	$5510	25	25
Total Deposits in NYC (b)	**$1224**	**25**	**25**
Total NYC Branches	1415	21	21
Low-Income (LI) Branches	142	21	21
Mod. Income (MI) Branches	322	21	21
Average % branches in low- and moderate-income neighborhoods	31.4%		
Average % branches in LI Census Tracts	9.6%		
Multifamily (MF) Lending (m)			
MF Lending (# Loans)	3410	21	20
MF Lending (in $)	$16623	21	20
MF Lending in LMI tracts (#)	2109	21	20
MF Lending in LMI tracts ($)	$9732	21	20
Average % of MF lending in LMI neighborhoods (#)	51.7%		
Average % of MF lending in LMI neighborhoods ($)	50.9%		
MF CD Lending (#)	1012	18	17
MF CD Lending ($)	$5149	18	17
Average % of MF Community Development Lending (#)	30.3%		
Average % of MF Community Development Lending ($)	32.7%		
Community Development Lending (millions)			
Community Development Lending (# Loans)	537	20	19
Community Development Lending (in $)	$5083	21	20
Average Community Development Lending as % of Deposits	2.25%	21	20
CD Loans to Nonprofits (#)	212	19	17
CD Loans to Nonprofits ($)	$1323	20	18
Average % Community Development Loans to NFPs (#)	50%		
Average % Community Development Loans to NFPs ($)	40%		
CD Loans to CDC's (#)	17	17	15
CD Loans to CDC's ($)	$105	18	16
Average % Community Development Loans to CDCs (#)	6.11%		
Average % Community Development Loans to CDCs ($)	3.60%		
Affordable Housing Loans (#)	172	20	19
Affordable Housing Loans ($)	$2720	20	21
Affordable Housing to NFPs (#)	84	19	16
Affordable Housing to NFPs ($)	$818	20	17
Economic Development Loans (#)	211	21	20
Economic Development Loans ($)	$1194	21	20
Small Business Lending (m)			
Small Loans to Businesses (#)	112,227	21	21

Small Loans to Businesses ($)	$3709	21	21
... in LMI tracts (#)	39,386	21	21
... in LMI tracts ($)	$1043	21	21
Average % Small Loans to Businesses LMI neighborhoods (#)	34.1%		
Average % Small Loans to Businesses LMI neighborhoods ($)	32.7%		
Small Loans to Small Businesses (Revenue <$1M) (#)	42442	**21**	**21**
Small Loans to Small Businesses (Revenue <$1M) ($)	$914	**21**	**21**
... in LMI tracts (#)	16461	21	21
... in LMI tracts ($)	$301	21	21
Average % Small Loans to Small Businesses LMI neighborhoods (#)	37%		
Average % Small Loans to Small Businesses LMI neighborhoods ($)	35.5%		
CRA-Eligible Investments			
CRA Qualified Investments (#)	273	19	18
CRA Qualified Investments ($)	$2213	20	19
Average CRA-qualified investments as % of Deposits	0.47%	19	17
CRA Qualified Investments to NFPs (#)	46	19	17
CRA Qualified Investments to NFPs ($)	$584	19	17
Average % CRA-qualified investments with nonprofit sponsors (#)	26.3%		
Average % CRA-qualified investments with nonprofit sponsors ($)	27%		
LIHTC (#)	91	18	17
LIHTC ($)	$1095	18	17
NMTC (#)	5	17	16
NMTC ($)	$20.96	17	16
CRA Qualified Investments for Economic Development (#)	16	16	15
CRA Qualified Investments for Economic Development ($)	$35.37	16	15
1-4 Family Home Mortgage Lending (m)			
Home Purchase Loans (#)	14,226	21	21
Home Purchase Loans ($)	$9150	21	21
Home Purchase Loans to LMI borrowers (#)	1,122	21	21
Home Purchase Loans to LMI borrowers ($)	$190	21	21
Average % of Lending to low- and moderate-income Borrowers (#)	10.4%	21	21
Average % of Lending to low- and moderate-income Borrowers ($)	3.25%	21	21
Refinance Loans (#)	6,133	21	21
Refinance Loans ($)	$3311	21	21
Refinance to LMI borrowers (#)	505	21	21
Refinance to LMI borrowers ($)	$82.17	21	21
Average % of Lending to low- and moderate-income Borrowers (#)	15.5%	21	21
Average % of Lending to low- and moderate-income Borrowers ($)	7.15%	21	21
Philanthropy (millions)			
Total Philanthropic Giving (National) (#)	9978	18	16
Total Philanthropic Giving (National) ($)	$346.12	18	16
CRA Eligible Grants in NYC (#)	1824	19	18
CRA Eligible Grants in NYC ($)	$70.35	19	18
Average % of Deposits Dedicated to Philanthropy (NYC)	0.013%	19	18
Grants to Neighborhood Based Organizations (#)	777	17	16
Grants to Neighborhood Based Organizations ($)	$11.85	17	16
Average % grants to Neighborhood Based Organizations (#)	46.02%		
Average % grants to Neighborhood Based Organizations ($)	38.99%		
Reinvestment activity (millions)			
Total Reinvestment (includes all banks, whether they reported on some or all categories)	$13,088		
Average % of Reinvestment to Deposits	5.08%		
Overall Index (Total Reinvestment divided by total deposits)	1.07%		

APPENDIX C

SAMPLE ANHD ANNUAL REINVESTMENT SURVEY

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

- **Bank Name / Address:** ________________

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

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

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

Small Business Lending:

» Small loans to businesses overall and in LMI tracts (# / $)

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

Please provide the following data:

<u>Branching</u>: **Branching**

» Total Branches in NYC

» Branches in NYC in low-income census tracts

» Branches in NYC in moderate -income census tracts

Please list any government programs (City, State, and or Federal) BANK participated in in 2016 to increase access to unbanked/under-banked New Yorkers.

What internal programs, products and/or practices did BANK offer in 2016 that are accessible to and/or targeted to immigrant and low- and moderate-income New Yorkers?

What ID's does BANK accept as primary identification?

Acceptance of IDNYC (NYC Municipal ID)

» Accept as Primary ID? Yes / No

» Accept as Secondary ID? Yes / No

COMMUNITY DEVELOPMENT AND CRA-RELATED STAFFING

We are requesting the following information concerning Bank's staffing as of December 31, 2016:

» Number of community development lending staff serving the New York City market

» Number of community development lending staff located in the city

» Number of staff supporting CRA-related activities in NYC

» Number of staff who support CRA-related activities that are located in the city

Please fill in the requested above information:

» CD Staff Serving NYC and how many are located in NYC

» Staff supporting CRA Activity and how many are located in NYC

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

» (Yes/No) ___________________

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

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

Community Development Lending

Community development loans are loans to borrowers for affordable housing rehabilitation and construction, neighborhood revitalization, small business development, and job creation initiatives as well as loans to community loan funds and nonprofit organizations that serve primarily LMI households. We are requesting the following information concerning Bank's community development lending in 2016.

(**Please DO NOT** include any multifamily loans **originated or refinanced for permanent mortgages –** we ask for those loans to be included in the multi-family lending section)

Please fill in the requested above information:

CD Lending (m)

» Community Development Loans in NYC (#,$)

» Community Development Loans to Nonprofits (#, $) and separately to CDC's (#, $)*

» Community Development Affordable Housing Loans in NYC (#,$)

» Community Development Affordable Housing loans in NYC to Nonprofits (#,$)

» Community Development loans for Economic Development in NYC (#,$)

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

Please provide examples of these CD loans, particularly any you are particularly proud of that represent your commitment to meeting the needs of low- and moderate-income communities.

MULTIFAMILY LENDING IN NEW YORK CITY

Multifamily loans are permanent loans, either originations or re-financings, to individual landlords or investors of multifamily properties, such as an apartment building with five or more units. We are requesting the following information concerning Bank's multifamily lending in calendar year 2016:

(As we're confident you've done in the past, please be sure to include re-financing done through a MECA/CEMA agreement, but not loans purchased.)

Multifamily (MF) Lending (m)

» MF Loans in NYC (#, $)

» MF Loans in LMI tracts in NYC (#,$)

» MF Community Development Loans (#,$) [this should be multifamily loans that you would also report to CRA regulators as Community Development loans]

Loan Modifications (HAMP and / or Proprietary) in New York City

We are requesting the following information concerning Bank's loan modification activity in New York City in 2016 in both HAMP and non-HAMP (proprietary).

Please fill in the requested information in the gray highlighted boxes below:

» **Participated in HAMP (circle):** Yes / No

» **Has a proprietary loan modification program: (circle):** Yes / No

Loan Modifications (Provide data separately for HAMP &Non-HAMP modifications)

- » # Loans Granted a Trial
- » # Loans converted from Trial to permanent
- » Average length of time a homeowner waits in a trial modification before converting to a permanent modification
- » # of permanent loan modifications granted principal reduction

CRA-QUALIFIED INVESTMENTS IN NEW YORK CITY

CRA-qualified investments are a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. For example, banks may purchase state and local government bonds that fund the construction or rehabilitation of affordable housing for calendar year 2016.

Please fill in the requested information for **CRA-Eligible Investments (m)**

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

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

CRA-ELIGIBLE GRANTS (PHILANTHROPY)

We are requesting the following information concerning Bank's CRA-eligible grants in 2016:

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

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

Please explain if and how the grantmaking program works closely with the nonprofit sector and its intentionality and theories/goals underlying the grantmaking.

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

Please fill in the requested above information:

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

Development of a Local CRA Plan

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

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

COMMUNITY RESPONSIVENESS AND INNOVATIVENESS

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

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

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

GLOSSARY OF TERMS & ACRONYMS

Bank Classifications as defined by federal bank regulators.

Retail Savings and Commercial Banks:

> **Commercial Bank:** A financial institution that is owned by stockholders, operates for a profit, and engages in various lending activities. These include **National** and **State-Chartered Banks.**
>
> **Savings Banks** in reference to Thrifts, defined as: An organization that primarily accepts savings account deposits and invests most of the proceeds in mortgages. These include **Savings Banks** and **Savings and Loan Associations, which are** financial institutions that accept deposits primarily from individuals, and channel funds primarily into residential mortgage loans.
>
> **Wholesale Banks:** Commercial banks that are not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect. They provide financial services to other large corporations or governments. For CRA exams, they are evaluated by more narrowly defined standards.

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

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

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

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

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

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

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

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

Lending Test: The part of a CRA exam that evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities by considering a bank's home mortgage, small business, farm, and community development lending.

Investment Test: The part of a CRA exam that evaluates a bank's record of helping to meet the credit needs of its assessment area through qualified investments and grants that benefit its assessment area or a broader statewide or regional area that includes the bank's assessment area.

Service Test: The part of a CRA exam that evaluates a bank's record of helping to meet the credit needs of its assessment area by analyzing the availability and effectiveness of a bank's systems for delivering retail services and the extent and innovativeness of its community development services.

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

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

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

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

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

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

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

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

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

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

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

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

Low-Income: A family whose income is less than 50% of the area median income (AMI) is low-income. New York City is part of the New York Metropolitan Area with an AMI $72,600 (low-income $36,300) in 2016. Using slightly different geographic areas, and adjusting for the high cost of housing, HUD set 50% AMI for a family of four to be $43,500 in 2016.

Low Income Housing Tax Credit (LIHTC): An indirect federal subsidy used to finance the development of affordable rental housing for low-income households. Its main purpose is to incentivize and leverage private-sector investment capital for the creation of rental housing units in each state affordable to households earning 60% or less of AMI, or $43,573.

Moderate-Income: A family whose income is 50%-80% of the AMI. New York City is part of the New York Metropolitan Area with an AMI of $72,600 (moderate-income $36,300 - $58,080) in 2016. Using slightly different geographies and adjusting for the high cost of housing, HUD set 50%-80% AMI for a family of four to be $43,500 - $72,500 in 2016.

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

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

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

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

Small Business Administration (SBA): The U.S. Small Business Administration was created

in 1953 primarily to assist and protect small businesses and strengthen the U.S. economy. They currently strive to help Americans start, build, and grow businesses through loans, grants, training, and technical assistance.

Small Business Loans: CRA regulators consider "small business loans" to be small loans to businesses, which are loans of $1 million or less to businesses of any size. They then analyze them by amount, geography, and business size. ANHD focuses on the subset of loans made to small businesses with revenues of $1 million or less.

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

SOURCES

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

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

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

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

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