THE STATE OF BANK REINVESTMENT IN NEW YORK CITY: 2012

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

ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.

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Founded in 1974, the Association for Neighborhood and Housing Development (ANHD) has grown into a consortium of 98 non-profit housing 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 dollars for affordable housing while launching innovative policies for community development in New York City.

For more information on ANHD's reports and programs, please see www.anhd.org or contact: The Association for Neighborhood and Housing Development, 50 Broad Street, Ste. 1125, New York, New York 10004. 212-747-1117.

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ASSOCIATION FOR NEIGHBORHOOD AND HOUSING DEVELOPMENT, INC.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Community Reinvestment Act (CRA) was passed in 1977 in response to the devastating impact that redlining and disinvestment had on low- and moderate-income communities around the country. New York City was deeply affected as this disinvestment, as well as other forces, left dozens of neighborhoods in our city suffering from severe neglect and distress. The Association for Neighborhood and Housing Development (ANHD) was part of the social movement that led to the passage of the CRA and we have seen the enormous benefits that the law has brought to our city, including over 300,000 units of affordable housing that were financed with public subsidies leveraging private bank investments that were brought to the table as a direct result of the CRA.

The CRA states that banks have an 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. ANHD has a deep appreciation of both the need for and the benefits of effective bank reinvestment and government policies that hold banks and government accountable for meeting the needs, including credit needs, of our at-risk communities. At the same time, we have seen the impact of policies and practices that have weakened the CRA over the years, including the erosion of and eventual repeal of Glass-Steagall; the massive consolidation of the bank industry; and a rise in predatory and discriminatory lending and products.

> "Deposits are up for the third year in a row, and after two consecutive years of declines, most reinvestment activity is up, but less so in low- income neighborhoods."

The fundamental principle of the CRA is that in return for the very valuable publicly-backed benefits banks receive – benefits that include cheap funds from the Federal Reserve discount window and the explicit government backing of the deposit insurance provided by the FDIC should the Deposit Insurance Fund lack sufficient funds – banks are required to be more than just profit-seeking businesses. They must incorporate a significant measure of community reinvestment activities into their business models in order to help meet local lending, investment, and service needs.

We believe it is important for bank regulators, legislators, and local residents to understand exactly where and how their federally-insured deposits and other assets are being reinvested in their local 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 – including lending, investments and services in low- and moderate-income neighborhoods – should be substantial and in proportion to each bank's locally-held deposit base.

This report documents our three major findings, a detailed analysis of each category, overall rankings for 2010, and our recommendations for New York City's banks and regulators.

MAJOR FINDING #1

DEPOSITS ARE UP FOR THE THIRD YEAR IN A ROW, AND AFTER TWO CONSECUTIVE YEARS OF DECLINES, MOST REINVESTMENT ACTIVITY IS UP, BUT LESS SO IN LOW-INCOME NEIGHBORHOODS.

With nearly nine million people, tens of thousands of small businesses, and some of the largest businesses in the world, New York City supplies a significant customer base for the country's banks, many of which are headquartered or maintain a significant presence here.

This customer base has proven its worth as the deposit bases of New York City's largest banks are up again in 2010, for the third straight year, and even more so than in previous years. Between 2009 and 2010, 22 of the largest banks in New York City increased their local deposits by 11.70% from $522.53 billion in 2009 to $583.65 billion in 2010. The increase was driven entirely by the commercial banks (up 10.74%) and wholesale banks (up 19%). The savings banks' deposits were basically flat (up 0.05%).

We are pleased to report that after two years of steady declines, bank reinvestment lending and investments are up in most categories, but the increases are not uniform and still lag in low- and moderate-income communities. Similar to the deposit trends, the increase in reinvestment activity was driven largely by the commercial and wholesale banks, although not universally so. ANHD has long recognized the importance of the nonprofit sector in building and maintaining affordable housing for the long-term so we are concerned that lending and investments to nonprofits greatly lagged behind overall increases, and even went down in some areas.

Community development lending is up 72.7%

Community development lending includes loans to both for-profit and non-profit developers for affordable housing rehabilitation and construction, neighborhood revitalization, small business development, and job creation initiatives. New York City's affordable housing development programs and sector lead the country in productivity and sophistica-

TABLE 1

REINVESTMENT ACTIVITY AMONG ALL BANKS AND BY INDUSTRY 2010 (MILLIONS)

	All Banks			Commercial		
($ in millions)	2009	2010	% Change	2009	2010	% Change
NYC Deposits	$522.53 billion	$583.65 billion	11.70%	$396.11 billion	$438.66 billion	10.70%
Total NYC Branches	1393	1387	-0.43%	1097	1094	-0.27%
Branches in low- and moderate-income tracts	330	331	0.30%	246	245	-0.41%
Multifamily Lending	$4,123.97	$4,082.65	-1.00%	$1,638.45	$1,385.44	-15.40%
Multifamily Lending in low- and moderate-income tracts	$2,249.95	$1,612.44	-28.30%	$1,185.79	$407.02	-65.70%
Community Development Lending	$1,618.85	$2,796.16	72.70%	$1,121.90	$2,139.07	90.70%
CRA-qualified Investments	$753.48	$1,666.29	121.20%	$484.60	$1,156.71	138.70%
Home Purchase Loans	$6,321.76	$8,547.59	35.20%	$5,677.98	$7,952.17	40.10%
Home Purchase Loans to Low-Income borrowers	$49.94	$51.95	4.01%	$34.29	$49.47	44.30%
Home Purchase Loans to middle-income borrowers	$238.89	$348.48	45.90%	$209.95	$333.13	58.70%
CRA-eligible Grants in NYC	$40.09	$60.78	51.60%	$29.32	$30.74	4.80%

tion and all of our city's programs depend on the availability of this capital, as do many of our neighborhoods.

After considerable declines between 2008 and 2009, we are pleased that community development lending overall increased 72.7% and much more (136.2%) for affordable housing in 2010. However, loans to nonprofits greatly lagged behind the increase in deposits. The number of loans to nonprofits decreased by 22.5% and the amount loaned increased only 6.1%. These trends were entirely driven by the commercial and wholesale banks which increased community development lending by 90.7% and 69.1%, respectively, whereas savings banks decreased lending by 25%. However, it must be noted that the total amount loaned in 2010 is still slightly below 2007 levels. Among the 14 banks that reported in both of those years, three banks almost zeroed out their community development lending since then and two others decreased their lending by over 40%. In fact, only four banks increased their community development lending over 2007 levels.

Banks continue to dedicate a very small percentage of their deposits to community development lending, barely changing from 2009 to 2010 (from an average of 0.72% to 0.77% of deposits). Signature emerged very strong in this category, lending the third highest amount ($280 million), and ranking number one in the percentage of lending to deposits (4.67%). M&T remained in the top three among the commercial banks, and is now lending over 2% of its deposits, which is more than double its percentage last year. Citibank made the biggest leap in this ranking, from number eight to number three this year. They also made the biggest increase in lending, from $68 million in 2009 to $1.035 billion in 2010, which is a considerable increase from their 2007 level of investment of $616.3 million.

MAJOR FINDING #1

LENDING IS UP, but less so for lower-income New Yorkers and nonprofits

- Community Development lending is up, but much less so to nonprofit sponsors
- Home Purchase lending is up, but much less so to low-income borrowers
- Multifamily lending is flat, with steeper declines in low- and moderate-income neighborhoods

INVESTMENTS ARE UP

- CRA-qualified investments and CRA-eligible grants are up overall.
- CRA-qualified investments went down 30% to nonprofit sponsors

TABLE 1 CONTINUED

REINVESTMENT ACTIVITY AMONG ALL BANKS AND BY INDUSTRY 2010 (MILLIONS)

	Savings			Wholesale		
($ in millions)	2009	2010	% Change	2009	2010	% Change
NYC Deposits	$28.91 billion	$28.93 billion	0.05%	$97.51 billion	$116.06 billion	19.00%
Total NYC Branches	296	293	-1.00%			
Branches in low- and moderate-income tracts	84	86	2.40%			
Multifamily Lending	$2,485.52	$2,697.21	8.50%			
Multifamily Lending in low- and moderate-income tracts	$1,064.16	$1,205.42	13.30%			
Community Development Lending	$194.15	$145.20	-25.20%	$302.80	$511.89	69.10%
CRA-qualified Investments	$149.98	$119.33	-20.40%	$118.90	$390.24	228.20%
Home Purchase Loans	$643.77	$595.42	-7.50%			
Home Purchase Loans to Low-Income borrowers	$15.65	$2.48	-84.20%			
Home Purchase Loans to middle-income borrowers	$28.94	$15.35	-47.00%			
CRA-eligible Grants in NYC	$2.17	$1.82	-16.40%	$8.60	$28.22	228.20%

CRA-qualified investments more than doubled in 2010 and, within these investments, Low-Income Housing Tax Credit (LIHTC) investments increased slightly, but CRA-qualified investments to nonprofits decreased significantly

CRA-qualified investments more than doubled in 2010, up 121.2% from $753.5 million to $1.67 billion. However, Low Income Housing Tax Credit (LIHTC) investments, one of the key financing mechanisms used to provide affordable housing for low-income families, increased only slightly by 3.9% and CRA-qualified investments with non-profit sponsors decreased 30%.

> "CRA-qualified investments more than doubled in 2010…yet, in the same time period, investments made with non-profit sponsors decreased 30%."

Similar to community development lending, the increases in CRA-qualified investments were due to the commercial and wholesale banks. Commercial banks saw the biggest increase (138.7%) in the amount of their CRA-qualified investments. This was largely driven by Citibank's 20-fold increase from $41.4 million to $832.3 million, following a two-year lull, bringing them well above their 2008 level of investment of $257 million. TD Bank followed a similar trajectory, investing $40.5 million in 2007, followed by two years of decline, and then increasing to $81.3 million in 2010, doubling their 2007 level of investment. The savings banks, meanwhile, decreased their CRA-qualified investments by 20.4%, with three zeroing out their investments entirely. New York Community Bank led the industry by far with $109 million in CRA-qualified investments; however Ridgewood invested more money in LIHTC.

Multifamily lending remained flat overall, with steeper declines in low- and moderate-income neighborhoods.

New York City is a city of renters, with over 65% of residents renting their homes. Within that rental stock, multifamily housing is the dominant source of housing. Privately owned, multifamily rental properties with five or more units represent the largest share of the City's housing stock and are the base of our private affordable housing.

> Over 65% of New York City residents rent their homes and multifamily buildings are the dominant source of housing.
>
> Bad multifamily lending is as damaging as good lending is necessary.

The availability of responsibly-underwritten mortgages and other forms of lending are absolutely necessary to preserving and creating more of this essential housing stock. That being said, we are concerned that the amount loaned for multifamily housing remained flat, decreasing by 1.0%, and we are even more concerned by the decrease in lending in low- and moderate-income census tracts by 28.3%. This is the one major category where the industry trends did not reflect the trends in deposits. The savings banks led the field, increasing their lending for multifamily housing by 8.5% and in low- and moderate-income neighborhoods by 13.3%. However, excluding New York Community Bank, which is the largest multifamily lender by far ($2 billion in loans, with $1 billion in low- and moderate-income tracts), the remaining savings banks decreased their multifamily lending by 7.4% overall and by 21.2% in low- and moderate-income tracts. Even so, that is still less of a decline than the commercial banks, which decreased lending by 15.4% and by 65.7% in low- and moderate-income tracts.

It is important to note that ANHD considers multifamily lending to be a somewhat unique category of lending activity. While multifamily lending for affordable housing is an essential aspect of a bank's obligation to meet local credit needs in New York City, bad lending is as damaging as good lending is necessary. We believe that this tenet holds true for all multifamily loans, but is particularly important in low- and moderate-income neighborhoods and in buildings under rent-regulation. Not all rent-regulated units are technically "affordable" – defined by a rent of 30% or less of one's income – but they tend to be below market-rate, and are much more affordable to families who have lived in their apartments for many years. A loan to a bad-actor landlord with a pattern of denying repairs and services or a loan based on speculative assumptions about a building's projected, instead of current, income that subsequently encourages displacement, harassment, and denial of services, undermines affordable housing and destabilizes communities. Some banks have a strong presence in the multifamily loan market and therefore place high in the overall ranking, but as ANHD has seen and documented extensively in previous years, the actual quality of many of the loans may ultimately be damaging to the community.[1]

Home Purchase Lending is up 35.2%, with large increases in the amount loaned to moderate-income borrowers (up 45.9%), and only very modest increases to low-income borrowers (up 4.0%).

New York City may be a city of renters, but over 2.5 million New Yorkers (32%) own their homes. Homeownership has long been an effective way for families to build wealth and create and maintain healthy, stable, vibrant communities. Tragically, the financial crisis wiped out much of that wealth for so many now-struggling homeowners.

After a year of considerable decreases in home purchase lending, we were encouraged to see that credit is flowing once again from the commercial and savings banks that make these loans (wholesale banks do not). Home purchase lending increased by 35.2% overall. It is also interesting to note that, while the number of loans made to low-income and moderate-income borrowers increased at similar rates (16.3% and 18.2%, respectively), the amount loaned to low-income borrowers increased at a much slower rate than the amount loaned to moderate-income borrowers (4.0% as compared to 45.9%). However, while we highlight these increases, the percentage of loans made to low- and moderate-income borrowers remained low, with an average of less than 8% of home purchase lending to low- and moderate-income borrowers, and barely 2% of lending to low-income borrowers. While we recognize that many people at the lowest income levels may not qualify for a loan, we would expect the percentages to be higher than this, and for banks to contribute to programs enabling homeownership at a wider range of incomes.

In this same context of lending to lower-income borrowers, volume alone isn't enough – loans must be made equitably across race and ethnicity, and be safe and sound loans, ideally coupled with services such as pre-purchase and financial counseling, and financial assistance to those who qualify. As has been proven year after year, low-income homebuyers that receive high quality pre-purchase counseling are much less likely to default on their loans.

Philanthropy is up 52% citywide, but much less so to neighborhood-based organizations

The 18 banks reporting philanthropy in 2010 gave a total of $64.48 million in CRA-eligible grants. Among the 17 banks that reported in both 2009 and 2010, philanthropy increased 51.6%, but that was almost entirely driven by Goldman Sachs, which increased its philanthropic giving from $3 million in 2009 to $23.02 million in 2010. Excluding Goldman Sachs, the remaining banks collectively increased their giving by only 1.8%. Similarly, grants to neighborhood-based organizations increased slightly by 3.8%, but excluding Goldman Sachs, they went down 33%. While the dollar amount is impressive, ANHD notes that Goldman Sachs' philanthropy does not follow many of the

[1] *ANHD (2009) Predatory Equity: Evolution of a Crisis. The threat to New York's affordable rental housing: 2005-2009.*

best practices for effective community development philanthropy as laid out in the recommendations in Part II of this report.

Commercial banks increased giving by 4.84% while savings banks *decreased* their giving by 16%, with only one increasing its philanthropy at all. Industry-wide, eight banks dedicated less than 0.01% of their deposits to philanthropy and no bank granted even close to one tenth of 1% of its deposits.

While ANHD applauds the increase in giving, we would like to see greater increases within every bank. We also encourage banks to dedicate a larger percentage for neighborhood-based organizations, many of which are long-rooted in and best able to meet the needs of the neighborhoods they serve.

MAJOR FINDING #2

THE "BIG FOUR" BANKS COLLECTIVELY ARE NOT PULLING THEIR WEIGHT. THE FOUR LARGEST BANKS IN THE COUNTRY – JPMORGAN CHASE, CITIBANK, BANK OF AMERICA, AND WELLS FARGO – HOLD 61% OF THE CITY'S DEPOSITS AND ACCOUNT FOR ONLY 45% OF REINVESTMENT ACTIVITY.

Nationwide, the "Big Four" banks – JPMorgan Chase, Citibank, Bank of America, and Wells Fargo – dominate the banking industry. In New York City, they are a large and growing presence, holding 61% of the deposits in our study. As of June 2012, the New York City treasury deposited $461 million in 15 banks, about half of which is held in these four banks, while the other half is distributed among 12 banks serving "un-banked" neighborhoods as part of the City's Banking Development District (BDD) program. This is only a fraction of the billions in cash the city manages. Given their size and importance in the U.S. economy, and their large share of the New York City market, we decided to examine their role in reinvestment activity separately.

These four banks' deposits in New York City increased 10.94% between 2009 and 2010, rising from $324.03 billion to $359.48 billion. They operate 47% of all branches, and 53% of branches in low-income neighborhoods, thus serving a huge percentage of New Yorkers. Together, they accounted for 45.44% of the reinvestment activity reported. While this is a significant amount of money, it is well below their share of deposits.

Within the reinvestment categories, we see huge variations in reinvestment activity. On the low end of the spectrum, these four banks account for only 8.38% of the multifamily loans in low- and moderate-income tracts and 36.2% of the CRA-eligible grants. On average, less than 30% of their grants went to affordable housing, but this increased to over 50% for grants to neighborhood-based organizations.

TABLE 2

BIG FOUR BANK SHARE OF NEW YORK CITY DEPOSITS 2010 (BILLIONS)

	All Banks	Big Four	
	Total	Total	% of Total
NYC Deposits	$590.18	$359.48 (up 10.9% from 2009)	60.91%

They did closer to their share in community development lending and CRA-qualified investments, accounting for 56.88% of the community development lending and 60% of CRA-qualified investments. Within those categories, however, they only accounted for 46% of the community development lending to nonprofits, and less than one-third of the CRA-qualified investments made with nonprofit sponsors. They accounted for 85% of the community development lending for affordable housing and 60% of all LIHTC investments. The CRA-qualified investments were really driven by Citibank, which invested $833 million and $231.37 million of those were in LIHTC.

TABLE 3:

BIG FOUR SHARE OF REINVESTMENT LENDING AND INVESTMENTS 2010 (MILLIONS)

	All Banks	Big Four		"Fair Share"
	(Total)		% of Total	60.91%
Multi-family Lending in LMI tracts (#)	700	38	5.43%	426
Multi-family Lending in LMI tracts ($)	$2,002.96	$167.91	8.38%	$1,220.00
Community Development Lending (# Loans)	576	203	35.24%	351
Community Development Lending (in $)	$3,113.66	$1,771.12	56.88%	$1,896.53
Small Business Loans in LMI neighborhoods (#)	9457	5783	61.15%	5760
Small Business Loans in LMI neighborhoods ($)	$396.40	$197.48	49.82%	$241.44
CRA-qualified Investments (#)	149	47	31.54%	91
CRA-qualified Investments ($)	$1,818.24	$1,091.30	60.02%	$1,107.49
Home Purchase Loans to LMI borrowers (#)	2580	1833	71.05%	1571
Home Purchase Loans to LMI borrowers ($)	$567.56	$367.02	64.67%	$345.70
CRA-eligible Grants in NYC (#)	1527	459	30.06%	930
CRA-eligible Grants in NYC ($)	$64.48	$23.34	36.19%	$39.28
Total Reinvestment	$7,963.29	$3,618.17	45.44%	$4,850.44

The Big Four banks dominate much of the home purchase and small business lending nationwide, as was largely the case in New York City, but HSBC is also a major lender here, ranking at or above many of the Big Four in small business and home purchase loans. The Big Four originated just about half of all small business loans, including those in lower-income tracts, but all four trailed HSBC, which loaned the most money to small businesses in New York City. Citibank ranked fourth in the amount loaned to small businesses, but first in the number of loans originated. JPMorgan Chase originated the second highest amount in loans to small businesses overall and in lower-income neighborhoods; however the latter represents a tiny percentage of its deposits (.03%). HSBC, while not one of these Big Four, has the fourth largest deposit base of the commercial banks in New York City and devotes 0.35% of its deposits to small businesses loans in low- and moderate-income tracts. If JPMorgan Chase alone were to lend at the same rate, over $800 million more would be flowing to small businesses in these neighborhoods.

The Big Four accounted for 76% of the home mortgage lending and 65% of lending to low- and moderate-income borrowers. However, HSBC once again ranked higher than all four in the latter category. Wells Fargo originated more loans than any bank in our study, but ranked third in the amount loaned, and lagged behind the others in the percentage of their loans to lower-income borrowers.

These four banks have a large stake in the future of New York City. Through expansions, mergers, and acquisitions, they are clearly increasing their market share in our city. It is a core principle of the CRA that banks must reinvest in the local communities in which they do business. In 2010, the Big Four collectively reinvested just 1% of their deposits on these critical investments and loans. If they were to invest their fair share, that is 61% of activity, the total amount reinvested would be $4.85 billion, or 1.35% of their deposits and $1.2 billion more than their current level of reinvestment. Even this "fair share" is a tiny percentage of their deposits overall and, of course, if they did reach their fair share, it would mean another industry would be investing less in those areas, which is why, as outlined in the next section, we believe all banks should reinvest more. Such increases would have a large impact on the city's low- and moderate-income residents and neighborhoods by financing much-needed affordable housing; helping to launch and expand hundreds of new and existing small businesses; putting people in new homes, and supporting myriad economic development projects citywide.

MAJOR FINDING #3

THE AMOUNT NEW YORK CITY BANKS REINVEST IS NOT SUFFICIENT TO TRULY HELP MEET THE CREDIT NEEDS OF LOW- AND MODERATE-INCOME NEW YORKERS. THE 23 LARGEST BANKS IN NEW YORK CITY HOLD OVER $590 BILLION IN DEPOSITS AND COLLECTIVELY DEVOTE ONLY 1.35% OF THESE DEPOSITS TO LENDING AND INVESTMENTS THAT BENEFIT LOW - AND MODERATE-INCOME NEW YORKERS. THIS AMOUNT SHOULD NOT BE CONSIDERED ENOUGH TO SATISFY THEIR OBLIGATIONS UNDER THE CRA.

Reinvestment activities encompass a wide range of lending and investments in the health and stability of New York City neighborhoods. This year we created a separate indicator in our overall ranking that factors in the total reinvestment activity for each bank that reported on all reinvestment activities.

We considered three major reinvestment activities for all 23 banks: (1) community development lending, (2) CRA-qualified investments, and (3) philanthropy. We considered an additional five activities for the 19 savings and commercial banks: (1) multifamily lending in low- and moderate-income neighborhoods; (2) & (3) small business lending in low- and moderate-income neighborhoods; and (4) & (5) home purchase lending in low- and moderate-income neighborhoods.

The need for quality community development is greater than ever. Poverty in New York City is at its highest level since 2005.[2] By the New York City Center for Economic Opportunity's calculation, which takes into account both public benefits received, and the high cost of housing, 21% of New Yorkers were in poverty in 2010, up from the year before. Meanwhile, we are losing tens of thousands of units of affordable housing, and at-risk of losing many more. From 1990 to 2008, New York City lost 31% of its subsidized affordable housing stock[3] and ANHD's research finds that, largely due to financing mechanisms and incentives that only guarantee 30-45 years of affordability, 72.3% of affordable city-subsidized units created between 1987 and 2007 are at risk of losing affordability by 2037[4].

In light of these facts, coupled with increasing deposits, increasing profits, and an ever-growing need for affordable housing and community development, ANHD believes that 1.35% of the banks' deposits committed to reinvestment activities is not sufficient to help meet the credit needs of lower-income New Yorkers. Percentages change from bank to bank (see Table 4), but overall the percentage is very low and the majority reinvest less than 2% of their deposits.

Citibank and M&T are the top two commercial banks ranked in this category. Citibank demonstrates the type of reinvestment every bank should strive towards. They have clearly made a commitment to Community Development as an institution, with a separate division and devoted, empowered staff. Citibank engages directly with community organizations and city officials on a regular basis and makes targeted, timely community development loans and CRA-qualified investments (including LIHTC) to support the creation and preservation of affordable housing. While M&T has a much smaller deposit base than Citibank, they are also a leader and committed to reinvestment, with a focus on the same areas. The remaining ranked commercial banks dedicated much lower percentages of their deposits to reinvestment, with JPMorgan Chase and Bank of America reinvesting less than 1% of their deposits.

[2] *NYC Center for Economic Opportunity (April 2012), The CEO Poverty Measure, 2005-2010. A Working Paper by the NYC Center for Economic Opportunity*
[3] *Waters, T. & Bach, V., Community Service Society (Dec. 2009) A Wave of Mortgage Defaults is Threatening New York City's Housing Stock*
[4] *ANHD (2010) A Permanent Problem Requires a Permanent Solution: New York City's next affordable housing expiring-use crisis and the need for permanent affordability*

Savings banks performed much worse overall. New York Community Bank far outranked everyone, mainly because of its dominant share of the multifamily lending market, with 24.53% of their deposits dedicated to reinvestment. The other savings banks, however, reinvested 2.2% of their deposits or less. Wholesale banks didn't fare much better, with the highest percentage at 1.36%.

This year, ANHD is asking the question: if 1.35% of deposits reinvested is not sufficient to truly help meet the credit needs of low- and moderate-income New Yorkers, then how much is enough?

How much should banks be expected to invest in order to satisfy their obligations under the CRA? While we do not attempt to answer that question definitively, we pose the question and propose an initial set of goals. Based on our analysis of current reinvestment levels, ANHD believes that setting an expectation for banks to reinvest a minimum of 5% of their local New York City deposits in our City is both reasonable and attainable for most banks.

We would like for banks that are close this percentage to take steps over the next year to reach or exceed that 5% goal in a responsible manner. We also recognize that it might take more time for some banks to reach that goal, while others have already exceeded it. That being said, we would expect every bank to increase its reinvestment levels from year to year and for those well below the 5% mark to take incremental steps towards that percentage, and to build the infrastructure (staff and resources) within their institution to support larger deals that target the unique banking needs of New York City communities.

TABLE 4

HIGHEST PERCENTAGE OF REINVESTMENT TO DEPOSITS (2010)

		% of Deposits	Total Reinvestment activity (millions)	NYC Deposits (billions)
Commercial				
Citibank	1	4.20%	$2,055.68	$48.91
M&T	2	4.02%	$78.84	$1.96
Capital One	3	2.35%	$418.14	$17.80
Wells Fargo	4	2.28%	$263.49	$11.58
Banco Popular	5	1.57%	$30.60	$1.94
TD Bank	6	1.30%	$135.28	$10.40
HSBC	7	1.19%	$468.92	$39.37
Bank of America	8	0.88%	$379.30	$43.00
JPMorgan Chase	9	0.36%	$919.71	$256.00
Signature*		10.87%	$652.78	$6.00
Valley National*		1.21%	$20.52	$1.70
Savings				
NY Community Bank	1	24.53%	$1,241.36	$5.06
Carver	2	2.22%	$10.76	$0.48
Sovereign	3	0.80%	$60.62	$7.60
Apple Bank	4	0.75%	$29.81	$4.00
Astoria	5	0.15%	$6.51	$4.30
Emigrant*		0.18%	$5.57	$3.09
Ridgewood *		0.87%	$21.50	$2.48
Dime Savings*		7.80%	$149.04	$1.91
Wholesale				
Goldman Sachs	1	1.36%	$437.85	$32.31
Morgan Stanley	2	0.90%	$58.70	$6.53
Deutsche	3	0.35%	$61.50	$17.75
Bank of NY Mellon*		0.65%	$431.00	$66.00

*Not ranked because the bank did not report on all reinvestment categories

The total reinvestment activity reported to ANHD in 2010 was $7.9 billion, which equals 1.35% of the $590 billion they hold in local deposits. The 23 banks averaged 3.1% of deposits, although when removing the highest and lowest percentages, the average drops to 2.2%. Citibank and M&T, which we consider leaders in community development activity and practices, reinvested just over 4%, while 15 of the 23 banks devoted less than 2% of their deposits to reinvestment. An increase to 5% of deposits towards the full range of reinvestment activities – and incremental increases as banks approach that goal over time – would have a huge impact on the lower-income neighborhoods in New York City.

ANHD recognizes that some banks have business models that make it difficult for them to provide certain products or engage in the full range of CRA-related activities. That being said, as we encourage banks to reinvest more and to focus on areas they know best, it is hard to justify not providing products or programs that impact large segments of the population they serve. Given the importance of multifamily housing in New York City, therefore, we would expect all banks in our study to support the creation and preservation of multifamily properties, in addition to their other investments and loans. And again, we must note the importance of responsible multifamily lending as an essential aspect of a bank's obligation to meet local credit needs in New York City.

The nonprofit sector in New York City is mission-driven to serve and empower the low- and moderate-income communities of the City to build and preserve affordable housing; improve economic conditions; and increase civic participation. All banks can, and should, do more across the reinvestment spectrum, by partnering in a meaningful way with this sector to develop and maintain affordable housing; provide fair and consistent lending to consumers, businesses, and nonprofits for housing and economic development; and engage in responsible, generous philanthropy that supports a vibrant, healthy city and nonprofit sector.

Banks often cite the highly competitive market in New York City that makes finding CRA opportunities difficult. While ANHD acknowledges this challenge, we also know that the opportunities for community development are endless. The aging housing stock; high unemployment levels; tightening lending standards; and myriad economic, social and environmental needs present many opportunities. Examples include investments, grants, and loans to:

- Rehabilitate and green our aging housing stock.
- Maintain NYCHA, the largest stock of public housing in the country.
- Support the nonprofit neighborhood–based CDCs and community organizations that build and maintain thousands of units of affordable housing and provide services to tenants and nearby residents to stabilize and revitalize their neighborhoods.
- Provide funding through CDFI's and institutions like CPC and Enterprise that lend and syndicate tax credits.
- Acquire and build affordable housing

We believe a minimum of 5% of deposits is a reasonable, attainable reinvestment goal over the next year for some banks, and perhaps over the next two to three years for others. That being said, we will be monitoring and studying the issue further over the next year to evaluate the recommendation itself and ways to ensure that these investments are made responsibly and equitably across all New York City neighborhoods.

OVERALL RANKINGS

ANHD ranks New York City's banks in an attempt to demonstrate which banks most consistently strive to meet our community's credit needs, but not to characterize them as either "good" or "bad." Because we are analyzing performance at a moment in time, the rankings are meant to provide a snapshot of how well each of the city's banks helped serve the

TABLE 5
RANKING OF COMMERCIAL BANKS

2010		2009	
1	M&T Bank	1	Capital One Bank
2	Capital One Bank	2	Banco Popular
3	Citibank	3	M&T Bank
4	Banco Popular	4	Citibank
4	TD Bank	5	JPMorgan Chase
6	Bank of America	6	Wells Fargo
7	Wells Fargo	7	HSBC
8	HSBC	8	Bank of America
9	Signature Bank*	9	TD Bank
10	JPMorgan Chase	10	Valley National Bank
11	Valley National Bank		

* Signature was previously misclassified as a Savings Bank (ranked #8 in 2009). Signature is a State-charted Commercial Bank that is not a member of the Federal Reserve System, and thus regulated by the FDIC.

credit needs of low- and moderate-income households and neighborhoods compared to their peers in 2010. ANHD compiled data on 64 different indices related to community reinvestment this year, including branching, staffing, multifamily lending, community development lending, CRA-qualified investments, home purchase loans, small business lending, and philanthropy. The rankings are based on 17 indicators that represent core reinvestment activities and those areas where the most data was provided by the banks. Each year, we further refine the formula to best incorporate the totality of the reinvestment spectrum. As mentioned above in more detail, this year we created a separate indicator in our ranking that factors in the total reinvestment activity of each bank, but only if the bank reported on all eight (or three for wholesale banks) reinvestment activities.

As the accompanying charts and narrative illustrate, while there are a few banks that rank consistently near the top or bottom, most banks seem to excel in some areas and lag in others. It is our hope that these rankings, by assessing each institution compared to its peers, encourage all banks to commit to year-over-year improvement. It is our expectation that banks are committed to expanding the volume of these activities each year and improving the marketing and delivery mechanisms to ensure low- and moderate-income communities are well served. Out of the 22 banks for which we analyzed data in both 2009 and 2010, every one retrenched in at least one area and improved in others, with some standing out as demonstrating a real commitment to community development. These increases and reductions are highlighted in Appendix A.

TABLE 6

RANKING OF SAVINGS BANKS

2010		2009	
1	Carver Federal Savings Bank*	1	Carver Federal Savings Bank
2	New York Community Bank	2	New York Community Bank
3	Sovereign Bank	3	Ridgewood Savings Bank
4	Ridgewood Savings Bank	4	Sovereign Bank
5	Emigrant Savings Bank	4	Apple Bank for Savings
6	Apple Bank for Savings	6	Emigrant Savings Bank
7	Dime Savings Bank of Williamsburgh	6	Astoria Federal Savings Bank
8	Astoria Federal Savings Bank		

*Carver's #1 ranking is due more to the nature of our formula than the quality of their activities. They have a very low deposit base, very low volume of activity, and a high percentage of that volume went to nonprofits and low- or moderate-income communities. While in most cases, the formula provides the right balance in order to rank larger banks against smaller ones, none exhibit all three characteristics like Carver does.

TABLE 7

RANKING OF WHOLESALE BANKS

2010		2009	
1	Morgan Stanley*	1	Deutsche Bank
2	Goldman Sachs	2	Goldman Sachs
3	Deutsche Bank	3	Bank of New York Mellon
4	Bank of New York Mellon		

*The Morgan Stanley affiliate newly covered by the CRA, Morgan Stanley Private Bank, N.A., commenced operations in July 2010, halfway through our 2010 data collection year.

RECOMMENDATIONS

1. Banks with distressed multifamily loans should implement a "first look" program to transfer distressed properties to preservation purchasers.

When loans are not responsibly underwritten, and speculative underwriting or lending to bad-actor landlords has put the buildings and the surrounding community at risk of financial and physical distress, the bank has a special responsibility to deal with the distressed assets and undo the damage caused by the irresponsible loans. In these cases, the bank must use appropriate underwriting that values the loan and the building at its actual worth – based on actual income and maintenance costs, in addition to properly assessing a property's current physical condition – and deal with a responsible purchaser who will stabilize the affordable housing and the surrounding community.

In order to do this, ANHD has advocated strongly for individual banks to participate in a "First Look" program where the banks will make available to the City Department of Housing Preservation and Development (HPD) and ANHD their list of distressed mortgage debt and/or buildings that the bank is looking to dispose of. HPD and ANHD have established or are in the process of establishing an orderly protocol with two banks already (New York Community Bank and JPMorgan Chase) where the banks allow preservation purchasers a first look at their distressed assets during an exclusive time-limited period that respects the need of the bank to dispose of the assets in a timely, market-driven manner. We are working with a third major bank to establish similar protocols.

ANHD and our members have also been working with HPD to fully establish a publically-funded preservation transfer program to incentivize mortgage-holding lenders to reasonably write down loans and transfer ownership to preservation-minded purchasers. New York City publically committed $750 million to the effort and has compiled a list of nonprofit and for-profit landlords with a history of preserving affordable housing which it will recommend for these deals. At the same time, HPD's affiliate Neighborhood Restore has been putting together the financing and structure for a note-sale facility that will allow the City to work with preservation purchasers, especially nonprofits, to buy at-risk mortgage debt as well as foreclosed buildings. The infrastructure that HPD has put in place is an important start, but the approach has not yet reached the scale it needs to transfer the many distressed buildings in the city to more responsible owners.

ANHD applauds the banks already participating and makes the following recommendations:

- Banks with a multifamily portfolio should implement a First Look program to allow HPD and ANHD an opportunity to stabilize the housing by arranging a preservation-minded developer to begin a fair negotiation for distressed properties – based on actual income and expenses – in order to remove them from a speculative investment cycle. Because nonprofit CDCs are mission-driven to preserve affordability, they should be considered the first option for preservation purchase deals where possible.
- New York City should approve and fully fund the distressed-debt note-sale facility that is at the heart of the city's multifamily strategy.
- The City should allow this note-sale facility to quickly prove itself and move to operate at a significant scale, in order to have an impact on the problem.

If implemented, these recommendations have the potential to preserve many thousands of units of affordable, rent-regulated housing. They would also go a long way towards rebuilding the image of banks as institutions committed to our local communities.

2. All banks should commit to increasing its percentage of local deposits dedicated to the full range of targeted, strategic reinvestment lending and investments that specifically benefit low- and moderate-income communities

In light of increasing deposits, and an ever-growing need for community development in the local communities in which banks do business, ANHD is concerned that such a small percentage of deposits are dedicated to these investments. The total reinvestment activity in 2010 was $7.9 billion, which equals 1.35% of the $590 billion of local deposits. On average, the 23 banks reinvested 3.1% of their deposits; when the highest and lowest percentages are removed, that drops to 2.2%. Citibank and M&T, which we consider leaders in community development activity and practices, reinvested just over 4%.

This year, ANHD is asking the question: if 1.35% of deposits reinvested is not sufficient to truly help meet the credit needs of low- and moderate-income New Yorkers, then how much is enough to satisfy their CRA obligations?

Based on our analysis of current reinvestment levels, ANHD believes that setting an expectation for banks to reinvest a minimum of 5% of their local New York City deposits in our City is both reasonable and attainable for most banks. This goal may take more time for some to meet, while others already exceed it, and thus we expect all banks to increase reinvestment year over year and make a strong effort to reach and exceed that goal over time and to do so in a responsible, equitable manner.

5% of deposits, and even smaller, more incremental increases towards that goal, would have a huge impact on the lower-income communities of New York City.

Philanthropy is the only activity for which a bank does not get a direct return on its investment. Thus, it is a true statement of their values and commitment to New York City. ANHD believes that banks should commit more than their current average level of .02% of deposits. Even .05% of deposits would translate into $295 million to carry out the missions of hundreds of nonprofit CDCs, service agencies, and advocacy organizations dedicated to revitalizing and empowering vulnerable communities.

We make the following recommendations to be evaluated over the coming year as we refine this metric:

- Banks that already invest close to 5% of their deposits should take steps over the next year to reach or exceed that goal in a responsible manner.
- Recognizing that it might take more time for some banks to reach 5% of deposits, while others have already exceeded it, we ask each bank to increase its reinvestment levels from year to year. Banks well below the 5% mark should take incremental steps forward and build up the infrastructure (staff and resources) within their institution to support larger deals that target the unique banking needs of New York City communities.
- While not all business models support every type of investment, we would like to see every bank devote significant resources to multifamily housing and CRA-eligible grants.

Banks often cite the highly competitive market in New York City that makes finding CRA opportunities difficult at times. While ANHD acknowledges this challenge, we also know that the opportunities for community development are endless. The aging housing stock; high unemployment levels; increasing credit needs for affordable housing, small businesses, and home purchase and refinancing; and myriad economic, social and environmental needs ensure that opportunities to increase the level of high quality community reinvestment activities will always be present.

All banks can, and should, do more across the reinvestment spectrum, including the construction and maintenance of affordable housing, fair and consistent lending, and responsible generous philanthropy that supports a vibrant, healthy city and nonprofit sector.

3. Commit to the implementation of the Responsible Banking Act.

In 2012, the New York City Council passed Local Law 38, the Responsible Banking Act. While the law does not require banks or government to take any specific, pre-determined action, it gives the City and local communities the information they need to determine a baseline of neighborhood banking needs and evaluate how banks are engaging in community development and reinvestment at a local level so that they can make more informed decisions about which banks might merit more City business, or less of it. ANHD believes it provides an open, transparent system of data sharing and communication that better equips banks to understand and meet the credit needs of the New York City communities, and provides new tools to do so on an ongoing basis.

ANHD urges all banks covered by the Responsible Banking Act to fully participate in its implementation. This includes meaningful engagement with the new Community Investment Advisory Board (CIAB). We urge the banks to fully participate in the CIAB through their banking industry representative and to respond in a complete and timely manner to requests for information. We also encourage these banks to continue engaging with ANHD and member institutions in this process so as to foster a collaborative environment in which we can work together to increase levels of reinvestment in our city, and give all New Yorkers the opportunity to live and excel in this vibrant, diverse city.

4. Strengthen the regulatory system by encouraging regulators to tailor assessment criteria to the local performance context. Regulators should also place equal emphasis on both the quantity and quality of a bank's activities as they pertain to the local environment

ANHD recognizes that many banks have tailored their business models in such a way that makes it difficult for them to provide certain products or engage in the full range of CRA-related activities. That being said, it is ANHD's belief that for the largest banks, it is hard to justify not providing products or programs that impact large segments of the assessment area's residents and neighborhoods. In New York City, for example, we would expect that a greater emphasis be placed on lending and investments supporting the creation and preservation of multifamily properties. Here, regulators should take into account the quantity and quality of all multifamily loans in low- and moderate-income neighborhoods, paying particular attention to signs of overleveraging and distress.

Indeed, community development loans and investments are central to building strong neighborhoods and supporting the work of CDCs. Equally important are lines of credit at critical moments, but lines of credit only count for extra credit. Similarly, CRA-eligible grants are the only CRA investments that do not provide a clear return on investment. Thus, they are a statement of a bank's values and commitment to community stabilization and revitalization and should be recognized as such.

It is also clear that performance evaluations have become increasingly volume driven. As mentioned above, ANHD does indeed believe banks should be investing more across the spectrum of CRA lending and investments. But, we also recognize that this can give an unfair advantage to the largest institutions and lead banks to support cookie cutter deals rather than develop innovative products and programs.

Thus, we recommend that regulators:

- Take into account the impact of multifamily loans on the stability of the affordable housing stock and not simply the distribution of multifamily loans made in low- and moderate-income census tracts and the quantity of community development loans. This can be easily be determined if regulators request the Debt Service Coverage Ratio for each building, which is a clear and simple expression of the stability of loan underwriting. For example, a Debt Service Coverage Ratio that is below 1.2 suggests that the loan is speculative and possibly based on the expected removal of many of the moderate-rent paying tenants. Such loans deserve particular scrutiny as they could undermine the affordable housing or cause financial pressure that could result in physical deterioration due to neglect of needed repairs.

- Give extra credit for CRA-eligible grants, and particularly grants to neighborhood-based organizations, perhaps adding an additional test specifically for these critical investments.
- Provide CRA credit for lines and letters of credit in order to achieve parity with lending and investments, especially in cities like New York where the housing stock is comprised mostly of multifamily rental properties that often require such products.
- Give extra weight to investments and loans to nonprofit CDC's that are mission-driven to build and maintain deeply, permanently affordable housing and the range of services needed to support the tenants and surrounding neighborhoods.
- In the rare case where banks cannot provide the full range of essential products, they should be required to demonstrate how they are meeting their obligations in other ways.

Conclusion

The Community Reinvestment Act is a powerful tool to bring banks together with government and the community to leverage public and private investments that generate wealth and stability to working class neighborhoods. However, as banks have consolidated and grown, and CRA assessments cover larger areas, it is incumbent upon the community and our government to ensure that the CRA remains effective and that those banks meet the ongoing needs of our low- and moderate-income communities.

In order to meet this objective, it is the continued mission of ANHD and our member organizations to work to create and maintain safe, decent neighborhoods for New Yorkers across all five boroughs and of all income levels. We are encouraged by the data this year, with a much higher level of reinvestment overall after two years of steady declines. But, as a whole, we are concerned by the overall level of investment level of investment, and particularly that collectively only 1.35% of total bank deposits in New York City is dedicated to reinvestment. Robust and consistent community development lending, investments, and services are critical to sustaining the strong, vibrant, diverse communities of New York City. These banks can and should be doing more to ensure that our communities thrive.

INTRODUCTION

The Community Reinvestment Act (CRA) was passed in 1977 in response to the devastating impact that redlining and disinvestment had on low- and moderate-income areas around the country. New York City was deeply affected as this disinvestment, as well as other forces, left dozens of neighborhoods in our city suffering from severe neglect and distress. Many of the neighborhood-based community development groups that are members of the Association for Neighborhood and Housing Development (ANHD) were founded during this time. These groups, together with ANHD, fought building-by-building and block-by-block to reclaim their neighborhoods by mobilizing the community to stop the arson and abandonment – aided and abetted by government neglect and bank redlining – to bring their communities back as stable, safe neighborhoods for working families. ANHD was part of the social movement that led to the passage of the CRA, and we have seen the enormous benefits that the law has brought to community development in our city. For example, in the past 25 years, over 300,000 units of affordable housing have been built across the five boroughs using a mix of government subsidies that leveraged private bank investments that were brought to the table as a direct result of the CRA. For this reason, ANHD has a deep appreciation of both the need for and the benefits of effective bank reinvestment and government policies that hold banks and government accountable to meet the needs of our at-risk communities.

The CRA states that banks have an 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 practice. Long before banks were ever considered too big to fail, they were understood to be too important to fail. The social compact between banks and the government – especially with the bank reforms that followed the Great Depression – is that the lending, investments, and services that banks provide are crucial to the health of our communities and our economy. You only need to look at photos of the "burning Bronx" in the 1970's to see what disinvestment looks like and to understand that readily available and sound lending is the lifeblood of a healthy housing market and community. As a consequence of this crucial and essential role that banks play, they have received significant taxpayer-backed public benefits, including cheap funds from the Federal Reserve discount window and the explicit government backing of the deposit insurance provided by the FDIC should the Deposit Insurance Fund lack sufficient funds. The fundamental principle of the CRA is that in return for these very valuable and long-held publicly-backed benefits, banks are required to be more than just profit-seeking businesses. They must incorporate significant community benefits into their business models, and work to help meet local lending, investment, and service needs.

The banking world has changed since 1977, and changed most rapidly since the erosion and eventual repeal of the Glass-Steagall Act a decade and a half ago. The banking industry has undergone massive consolidation in the past decade, and is increasingly dominated by regional and national institutions, making it much harder for regulators to hold banks accountable to "local" credit needs. This has challenged the clear premise of the CRA that banks are required to help meet the credit needs of the local communities in which the banks do business and take deposits. With bank consolidation and expansion of their business territories, banks can now be evaluated by their CRA regulators at the Metropolitan Statistical Area level or larger. For New York City, this means we are included in the New York-Northern New Jersey-Long Island, NY-NJ-PA Metropolitan Statistical Area, which covers 24 counties from Ulster and Dutchess counties in upstate New York, down to Monmouth and Ocean Counties in New Jersey. They can also get credit for reinvestment activities at the state level even if they have no direct impact on their assessment area.

Another impact of the changing nature of the banking world has to do with the nature of the banks themselves. ANHD compares all banks together, but ranks the banks within their classifications as designated their state and federal charters and the regulators: commercial, savings (also known as thrifts), and wholesale banks. Historically, commercial and savings banks have operated with somewhat distinct business models. Commercial banks are publicly owned companies with a primary obligation to make a profit for their shareholders. They focus much of their business on corporate clients and short-term business credit, but also offer a wide range of individual products, such as savings and checking accounts; small business loans; and mortgages. Savings banks historically focused almost exclusively on residential mortgages and savings accounts and were more regional and local in focus, rooted in their specific local communities and their needs. Over the years, however, commercial banks have acquired smaller savings banks, and savings banks are expanding their footprints and services, such that the lines between the two have blurred and both operate quite similarly in many areas. However, we believe it is important to track and highlight the trends within these classifications, particularly as it impacts key reinvestment activities. For example, savings banks are still required to hold a certain percentage of their portfolios in residential mortgages. Thus, the loss of these banks to mergers and changes to commercial charters and any retrenchment in their lending activity, multifamily in particular, has the potential to have a disproportionate impact on the New York City housing market. The distinction also enables us to see which industries are leading and which are lagging in certain areas, in order to better engage with the banks and encourage all to do more to help meet the needs of the New York City community.

In this system, banks get CRA credit for investing in the total assessment area, not specifically tied to deposits in any particular area. While ANHD does not see evidence of banks excluding New York City from their CRA activities, we have seen marked declines in bank reinvestment-related activity in previous years and we are still below pre-recession levels in many areas. Finally, the CRA evaluations are not done annually, but rather span multi-year periods, and recent legislative changes will require less frequent exams for small banks. Thus, it is important for bank regulators, legislators, and community organizations and residents to understand exactly where and how their federally-insured deposits and other 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.

In the previous two "State of Bank Reinvestment in New York City" reports, ANHD presented data received from the city's largest financial institutions that documented substantial reductions in their core CRA-related activities. The 2011 report documented sharp declines from 2008 to 2009 in reinvestment activity across the board, including community development lending, multifamily lending, home mortgage lending, CRA-qualified investments and CRA-eligible grants.

ANHD believes that bank reinvestment-related activity – including lending, investments and services in low- and moderate-income neighborhoods – should be substantial, and in proportion to each bank's locally-held deposit base.

The report lays out our three major findings, followed by an in-depth analysis of key lending, investments, and services; the overall rankings; and our recommendations. While reinvestment activity is up overall, we show that the increases were often driven by the commercial and wholesale banks, while the eight savings banks retrenched in most categories. We are also concerned by the stagnant multifamily lending overall and decline in lower-income communities. Multifamily buildings are one of the most important sources of stable affordable housing for New York City residents. All our data is summarized in Appendix A.

SUMMARY OF 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. Simply put, the CRA requires banks to act locally, but report regionally, and that disconnect makes accurate analysis difficult. ANHD hopes that this report addresses that 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 2009 and 2010 were included in trending analysis year to year. For this reason, there is some amount of data that banks provided for 2010 that we could not use for year-over-year analysis since the same information was not provided in 2009. Appendix A details all information that we received from each lender. ANHD made every attempt to acquire missing information by using a variety of means to access publicly available data.

While individual indicators are useful in ascertaining a bank's year-over-year record in a certain area over time, ANHD also compares and ranks banks against their peers to examine which institutions were leaders within the industry. In an attempt to control for the wide variance in size and the various charters of the institutions, which are central to informing their respective business plans, ANHD groups these 23 institutions into the following three categories: Commercial Banks, Savings Banks, and Wholesale Banks, based strictly on how they are chartered. Historically, commercial and savings banks have 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) mortgages and savings accounts. Today, the lines between the two have blurred and both operate quite similarly in many areas.

We use the following terms as defined by the FFIEC and OCC:

Commercial banks: A financial institution that is owned by stockholders, operates for a profit, and engages in various lending activities. These include:

- **National Bank:** A Commercial Bank whose charter is approved by the Office of the Comptroller of the Currency. National banks are required to be members of the Federal Reserve System.
- **State Member Banks:** This subset includes all commercial banks that are state-chartered and members of the Federal Reserve System.
- **Non-Member Banks:** This subset includes all Commercial Banks that are state-chartered and are NOT members of the Federal Reserve System.

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 Bank:** Banking institution organized to encourage thrift by paying interest dividends on savings. Savings banks can have state and federal affiliations,
- **Savings and Loan Association:** A financial institution that accepts deposits primarily from individuals and channels its funds primarily into residential mortgage loans.

Wholesale Banks: A bank that is 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. For CRA purposes, they are evaluated by more narrowly defined standards.

Rankings were determined based on the following methodology: banks that provided information for a given indicator received a score based on their performance compared to their peers. Based on the number of banks in each category, scores ranged from #1 (best performance) to #11 (worst) for commercial banks, #1 to #8 for savings banks, and #1 to #4 for wholesale banks. For indicators where not all banks reported, the upper limit was reduced to the number of reporting banks. Although ANHD compiled and analyzed 64 different types of data, banks were ranked according to the following seventeen indicators:

- Percentage of Branches in Low- and Moderate-Income (LMI) census tracts
- Percentage of Branches in Low-Income census tracts
- Percentage of Community Development Staff located in NYC
- Percentage of Multifamily Loans in LMI census tracts
- Percentage of Bank Deposits Dedicated for Community Development Lending
- Percentage of Community Development Loans to Nonprofit Organizations
- Percentage of Community Development Loans to Affordable Housing
- Percentage of Home Purchase Loans to LMI Borrowers
- Percentage of Bank Deposits Dedicated to CRA-qualified Investments
- Percentage of CRA-qualified investments to Nonprofits
- Percentage of Small Business Loans in LMI census tracts
- Percentage of Bank Deposits Dedicated for Small Business Loans in LMI census tracts
- Percentage of Deposits Reserved for Philanthropy (CRA-eligible grants)
- Percentage of CRA-eligible Grants to Neighborhood-Based Organizations
- Percentage of Deposits Dedicated for Total Reinvestment. Calculated for banks that reported on all of the following activities: (1) Community Development Lending, (2) CRA qualified investments, and (3) CRA-eligible grants. And an additional five for savings & commercial Banks: (1) Multifamily lending in low- and moderate-income tracts; (2) & (3) Small business lending in low- and moderate-income tracts; and (4) & (5) Home Purchase lending to low- and moderate-income borrowers.
- Percentage Completeness of Data Request
- Community Responsiveness (Raw Score)

The 17 indicators were chosen to capture the spectrum of CRA-related lending, investment and services of importance to low- and moderate-income residents. They also reflect ANHD's belief that not all CRA-eligible activities are equal. For example, a community development loan to a nonprofit developer demonstrates not only the bank's commitment to build partnerships with local institutions, but also to keeping these valuable resources under community control, thus ensuring they will be available to residents long term. Summary tables for each activity are incorporated throughout the report.

After rankings were assigned for individual indicators, a bank's aggregate score for the 17 indicators was then divided by the number of indicators they were scored on to determine their weighted score. Banks were ranked 1-11 (commercial banks), 1-8 (savings) or 1-4 (wholesale) to determine their Overall Ranking. Thus, a bank that received a #1 ranking had the strongest record among its peer institutions and a bank with a higher number ranking demonstrated weaker performance.

While a bank's quantitative record is important, ANHD recognizes the significance of the qualitative impact of a bank's CRA-related activities on community development and neighborhood stabilization. How a bank approaches its CRA-related work is just as important as what it actually does. Given this recognition and our desire that banks seek to just achieve numbers, we maintained the indicator that seeks to measure "Community Responsiveness" where banks get one point for each of the following:

- A community development group dedicated to New York City.
- An advisory board or another formal mechanism for inviting feedback and fostering regular conversations with leaders from the community.
- An open, transparent grant-making process.
- A demonstration of true innovativeness with regards to its CRA lending, service, and or investments.

There are a few changes to the data collected and ranking in 2010. These and additional factors and explanations are outlined in the full methodology at the end of this report.

PART I

MAJOR FINDING #1

DEPOSITS ARE UP FOR THE THIRD YEAR IN A ROW, AND AFTER TWO CONSECUTIVE YEARS OF DECLINES IN REINVESTMENT, MOST REINVESTMENT ACTIVITY IS UP, BUT LESS SO IN LOW-INCOME NEIGHBORHOODS.

With nearly nine million people, tens of thousands of small businesses, and some of the largest businesses in the world, New York City supplies a significant customer base for the country's banks, many of which are headquartered or maintain a significant presence here.

This customer base has proven its worth as the deposit bases of New York City's largest banks are up again in 2010 and even more so than in previous years. 22 of the 23 banks for which we gathered data in 2009 and 2010 increased their New York City deposits 11.70% from $522.53 billion in 2009 to $583.65 billion in 2010.

For the 16 banks that reported in 2008, 2009, and 2010, the increase was even more dramatic at 12.24%, almost double their increase of 6.81% between 2008 and 2009. The increase in 2010 was driven entirely by the 11 commercial banks (up 10.74%) and the three wholesale banks that reported in both years (up 19%). The savings banks' deposits were basically flat, increasing only by 0.05%.

We are pleased to report that after two years of steady declines, bank reinvestment activities are up in most categories, but the increases are not uniform, and still lag in low- and moderate-income communities. Similar to the deposit trends, the increase in reinvestment activity was driven largely by the commercial and wholesale banks, although not uniformly so.

"With nearly nine million people, tens of thousands of small businesses, and some of the largest businesses in the world, New York City supplies a significant customer base for the country's banks"

ANHD has long recognized the importance of the nonprofit sector in building and maintaining affordable housing for the long-term so we are concerned that lending and investments to nonprofits lagged behind overall increases, and even went down in some areas.

Community Development Lending Is Up

Community development lending includes loans to both for-profit and nonprofit developers for affordable housing rehabilitation and construction, neighborhood revitalization, small business development, and job creation initiatives. New York City's affordable housing development programs and sector lead the country in productivity and sophistication, and all of our city's programs depend on the availability of this capital, as do many of our neighborhoods.

After considerable declines between 2008 and 2009, we are pleased that community development lending overall and for affordable housing increased 72% in 2010. However, community development loans to nonprofits greatly lagged in their increase in deposits. Of the 14 banks reporting in both years, the number of loans decreased 22.5%

and the amount increased only 6.1%. These trends were entirely driven by the commercial and wholesale banks which increased community development lending by 91% and 66%, respectively, whereas savings banks decreased lending by over 25%. However, it must be noted that the total lending is still slightly below 2007 levels. Among the 14 banks that reported in both 2007 and 2010, three banks almost zeroed out their lending and two others reduced their lending by over 40%. In fact, only four banks increased their community development lending over 2007 levels.

Commercial banks hold close to three-quarters of New York City deposits and were responsible for 77.3% of the community development lending overall, and 63.2% of lending to nonprofits. They were responsible for an even larger share of the affordable housing loans, originating 76.1% of the loans and 92.5% of the dollars loaned. Citibank emerges as a leader in community development lending, lending over $1 billion, which is the most by far and third highest percentage of deposits at 2.12%. JPMorgan Chase loaned $637 million, the most after Citibank, but this is only 0.25% of its deposits. Within the wholesale banks, Goldman Sachs outdid its peers, with $258.6 million in community development lending overall, representing 0.8% of its deposits and more than triple the amount loaned in 2009.

Banks continue to dedicate a very small percentage of their deposits to community development lending, barely changing from 2009 to 2010. Banks averaged 0.77% of their deposits towards community development lending in 2010, versus 0.72% in 2009. Signature emerged very strong in this category, lending the third highest amount ($280 million), and ranking number one in the percentage of lending to deposits (4.67%). M&T remained in the top three for commercial banks, and is now lending over 2% of its deposits, which is more than double its percentage over last year. Citibank made the biggest leap in this ranking, from number eight to number three this year. They also made the biggest increase in community development lending, from $68 million in 2009 to $1.035 billion in 2010, which is also a considerable improvement over their 2007 level of investment of $616.3 million.

CRA-qualified investments more than doubled in 2010 and, within these investments, Low-Income Housing Tax Credit (LIHTC) investments are up, but CRA-qualified investments to nonprofits are down

Banks invested considerably more in CRA-qualified investments in 2010, up 121.2% (from $753 million to $1.67 billion). However, Low Income Housing Tax Credit (LIHTC) investments, one of the key financing mechanisms used to provide affordable housing for low-income families, increased only slightly by 3.85% and CRA-qualified investments made with nonprofit sponsors decreased 30%.

The increases in CRA-qualified investments were also driven by the commercial and wholesale banks. Commercial banks made the biggest increases (138.7%) in the amount of their CRA-qualified investments. This was largely driven by Citibank's 20-fold increase from $41.4 million to $832.3 million, following a two-year lull, bringing them well above their 2008 level of investment of $257 million. TD Bank followed a similar trajectory, investing $40.5 million in 2007, followed by two years of decline, and then increasing to $81.3 million in 2010, from $17 million in 2009, double their 2007 level of investment. Commercial banks essentially met or exceeded their share of CRA-qualified investments, LIHTC investments, and investments to nonprofits. The wholesale banks more than doubled their CRA-qualified investments, but decreased their investments in LIHTC and investments to nonprofits. The savings banks decreased their CRA-qualified investments by 20%, with three zeroing out their investments entirely. New York Community Bank led the industry by far with $109 million in CRA-qualified investments; however Ridgewood dedicated more money and a larger percentage of its total investments to LIHTC.

Multifamily lending is flat, with steeper declines in low- and moderate-income neighborhoods

New York City is a city of renters, with over 65% of residents renting their homes. Within that rental stock, multifamily buildings are the dominant source of housing and the major source of affordable housing for New Yorkers. Privately owned, multifamily rental properties with five or more units represent the largest share of the City's housing stock.

Given this reality, the availability of responsibly-underwritten mortgages and other forms of lending are absolutely necessary to preserving and creating more of this essential housing stock.

We are concerned that the amount loaned for multifamily housing remained flat and we are even more concerned by the sharp decrease in lending in low- and moderate-income tracts by 28.3%. This is the one category where the industry trends did not reflect the trends in deposits. True to their roots, the savings banks led in this field, increasing their lending for multifamily housing by 8.5% and in low- and moderate-income tracts by 13.3%. However, excluding New York Community Bank, which is by far the largest multifamily lender of all 23 banks ($2 billion in loans, with $1 billion in low- and moderate-income tracts), the remaining savings banks decreased their multifamily lending by 7.4% overall and by 21.2% in low- and moderate-income tracts. The commercial banks decreased even more by 15.4% overall and by 65.7% in low- and moderate-income tracts. Of the nine commercial banks for which we have data in both years, six decreased their lending in low- and moderate-income tracts. Wholesale banks typically don't make direct loans for multifamily housing.

It is important to note here that ANHD considers multifamily lending to be a somewhat unique category of lending activity. While multifamily lending for affordable housing is an essential aspect of a bank's obligation to meet local credit needs in New York City, bad lending is as damaging as good lending is necessary. We believe that this tenet holds true for all loans, and particularly so in low- and moderate-income neighborhoods and in buildings under rent-regulation. Rent regulated units are not all technically "affordable housing" (defined by a rent of 30% or less of one's income), but they tend to be below market-rate, and are much more affordable to families who have lived in their apartment for a long time. A loan to a bad actor landlord with a pattern of denying repairs and services to tenants undermines affordable housing and destabilizes a community. The same impact results from a loan based on speculative assumptions about a building's projected, instead of current, rental income that subsequently encourages displacement, harassment, and denial of services. Some banks have a strong presence in the multifamily loan market and therefore place high in the overall ranking, but, as ANHD has seen and documented extensively in previous years, the actual quality of many of the loans may ultimately be damaging to the community[1].

> "Multifamily buildings are the dominant source of housing for New Yorkers."

> "Multifamily lending was flat overall, and down 28.3% in lower-income neighborhoods."

Home Purchase Lending is up, with large increases to moderate-income borrowers, and only very modest increases to low-income borrowers

New York City may be a city of renters, but over 2.5 million New Yorkers (32%) own their homes. Homeownership

[1] *ANHD (2009) Predatory Equity: Evolution of a Crisis. The threat to New York's affordable rental housing: 2005-2009.*

has long been an effective way for families to build wealth and create and maintain healthy, stable, vibrant communities. Tragically, the financial crisis wiped out much of that wealth for so many now-struggling homeowners.

After a year of considerable decreases in home purchase lending, we were encouraged to see that credit is flowing once again to support homeownership. Home purchase lending increased by 35.21% overall. Of interest as well is that while the number of loans made to low-income and moderate-income borrowers increased at similar rates (16.3% and 18.2%, respectively), the amount loaned to low-income borrowers increased at a much lower rate than the amount loaned to moderate-income borrowers (4.01% as compared to 45.87%).

Low- and moderate-income New Yorkers need access to credit in order to purchase and refinance their homes. While at the lowest income levels, many people may not qualify for a loan, we would expect the percentages to be higher than this. At the same time, volume alone isn't enough – loans must be made equitably across race and ethnicity, and be safe and sound loans, ideally coupled with services such as pre-purchase and financial counseling, and financial assistance to those who qualify. As has been proven year after year, when loans to low- and moderate-income borrowers are facilitated by good community-based counseling services, the default rates are very low.

Philanthropy is up citywide, but much less so to neighborhood-based organizations

The 18 banks reporting philanthropy in 2010 gave a total of $64.48 million in CRA-eligible grants. Among the 17 banks that reported in both 2009 and 2010, philanthropy increased 52%. However, that increase was almost entirely driven by Goldman Sachs, which increased its philanthropic giving by 667%, from $3 million in 2009 to $23.02 million in 2010. Excluding Goldman Sachs, the remaining 16 banks collectively increased their philanthropy by only 1.8%. Similarly, grants to neighborhood-based organizations increased slightly by 3.8%, but excluding Goldman Sachs, they went down 33%. While the dollar commitment by Goldman Sachs is impressive, ANHD notes that their philanthropy does not follow many of the best practices for effective community development philanthropy laid out in Part II of this report.

> "Not one bank gave even close to one-tenth of 1% of their deposits for philanthropic grants"

Commercial banks increased giving by 4.8% and savings banks decreased their giving by 16%, with only one savings bank increasing its giving at all. Industry-wide, eight banks dedicated less than 0.01% of their deposits to philanthropy and no bank gave even close to one-tenth of 1% of their deposits.

While ANHD applauds any increase in giving, we would like to see greater increases within every bank. We also encourage banks to dedicate a larger portion for local, neighborhood-based organizations, many of which are long-rooted in the neighborhoods they serve and best able to meet the needs of their individual communities.

MAJOR FINDING #2

THE "BIG FOUR" BANKS ARE COLLECTIVELY NOT PULLING THEIR WEIGHT. THE FOUR LARGEST BANKS IN THE COUNTRY – JPMORGAN CHASE, CITIBANK, BANK OF AMERICA, AND WELLS FARGO – HOLD 61% OF THE CITY'S DEPOSITS AND ACCOUNT FOR ONLY 45% OF REINVESTMENT ACTIVITY.

Nationwide, the "Big Four" banks, JPMorgan Chase, Citibank, Bank of America, and Wells Fargo, dominate the banking industry. According to the FDIC (as of June 30, 2010), they held nearly one-third (30%) of all FDIC-insured savings and commercial bank deposits in the country. Based on the deposits reported to and compiled by ANHD, they hold twice as large a share (61%) of bank deposits in New York City. These four banks also receive a large amount of business from the City of New York. As of June 2012, the New York City treasury held $461 million in deposits in 15 banks, about half of which was held in these four banks, while the other half was distributed among 12 banks serving "un-banked" neighborhoods as part of the City's Banking Development District (BDD) program. Of the Big Four, only Citibank holds BDD funds. JPMorgan Chase holds the majority (60%) of the non-BDD deposits. We must note, however, that this $461 million is only a fraction of the city's money. According to the NYC Comptroller's latest Quarterly Cash report, New York City averaged close to $5.5 billion in cash balances in the fourth quarter of 2012[2].

Given their size and importance in the US economy, their large share of the New York City market, and their importance to the business of the City of New York, we decided to examine their role in reinvestment activity in the City separately.

The New York City deposit base of the Big Four banks increased 10.9% between 2009 and 2010, from $324 billion to $359.5 billion. This mirrors the commercial banking industry, and is slightly lower than the 11.70% increase for all 23 banks. Collectively they hold 61% of all New York City deposits and 82% of the commercial bank deposits. While they only represent four of the 23 banks in our study, they operate 47% of all branches, and 55% of branches in low-income neighborhoods, thus serving a huge percentage of New Yorkers.

The Big Four banks accounted for 45.44% of all the reinvestment activity reported (regardless of whether a bank reported on all reinvestment categories). While this represents a significant amount of money, it is well below their share of deposits.

Within the reinvestment categories, we notice huge variations in activity. On the low end of the spectrum, they account for only 8.4% of the multifamily loans in low- and moderate-income tracts. Excluding New York Community Bank, the largest multifamily lender in the City, they account for 14% of loans in low- and moderate-income neighborhoods. This is still well below their share of deposits, especially given the importance of this stock of housing for New Yorkers.

Nonprofit organizations rely upon a variety of sources of funding to carry out their missions, including charitable giving by banks and other private foundations. For many ANHD members, these are critical dollars needed to support the creation of affordable housing and the provision of services to the residents and surrounding neighborhood. With over 60% of the New York City deposit base, we would expect these large banks to provide close to that share of philanthropy in the city, yet they gave only 36% of the CRA-eligible grants citywide, and on average, less than 30% of their grants went to affordable housing. On the positive side, on average more than half of their grants went to neighborhood-based organizations.

These four banks did closer to their share in community development lending and CRA-qualified investments, accounting for close to 60% of each. Variations surface within those categories, however. For example, while they accounted for only 46% of the community development lending to nonprofits and less than one-third of the CRA-qualified investments with nonprofit sponsors, they accounted for 85% of the community development lending for affordable housing and 60% of LIHTC investments. The CRA-qualified investments were largely driven by Citibank, which invested $833 million, well above the next largest investment of $116 million by Bank of America.

[2] *City of New York Office of the Comptroller (Aug. 2012): Quarterly Cash Report, April – June 2012 Fourth Quarter of FY 2012: http://www.comptroller.nyc.gov/bureaus/bfa/cash-report/2012/QCR-4Q1-%20final.pdf*

Similarly, Citibank invested $231.37 million in Low Income Housing Tax Credits (LIHTC), nearly three times the next highest investment of $81.3 million by TD Bank.

The Big Four banks dominate much of the home purchase and small business lending nationwide, and that was also the case in New York City, but HSBC is also a major lender here, ranking at or above many of these large banks in small business and home purchase loans. The Big Four banks originated over 61% of all small business loans and more than half the amount loaned, including those in low- and moderate-income neighborhoods. HSBC loaned the most money to small businesses in New York City, followed by JPMorgan Chase, Bank of America, Citibank, and then Wells Fargo. Citibank ranked fourth in the amount loaned to small businesses, but first in the number of loans originated. JPMorgan Chase promotes itself as a preferred SBA Lender and did in fact originate the second highest amount in loans to small businesses overall and in low- and moderate-income neighborhoods; however the latter represents a tiny percentage of its deposits (.03%). Citibank doesn't perform much better, with 0.06% of its deposits devoted to small business loans in low- and moderate-income neighborhoods. Wells Fargo ranks highest in this category, at 0.24% of its deposits. HSBC, while not one of these Big Four, has the fourth largest deposit base in New York City and devotes 0.35% of its deposits to small business loans in low- and moderate-income tracts. If JPMorgan Chase were to lend at the same rate as HSBC, over $800 million more would be flowing to small businesses in low- and moderate-income neighborhoods. If all four were to reach that goal, $1.06 billion more would reach these businesses, creating much-needed capital and jobs to stimulate our economy.

TABLE 8:
BIG FOUR BANKS' SHARE OF NEW YORK CITY DEPOSITS (2010)

	All Banks	Big Four	
	Total	Total	% of Total
NYC Deposits	$590.18	359.48 (up 10.9% from 2009)	60.91%

In our study, the Big Four accounted for 76% of the home mortgage lending and 65% of the lending to low- and moderate-income borrowers. Their share rose slightly for the number of loans originated, indicating they are reaching more people with smaller loans. However, HSBC still ranks first in the amount loaned to low- and moderate-income borrowers, followed by Citibank, Wells Fargo, JPMorgan Chase, and Bank of America. Wells Fargo originated more loans than any bank in our study, but ranked third in the amount loaned, and came in much lower in the percentage of their loans to low- and moderate-income borrowers. The Big Four also accounted for 98% of permanent HAMP modifications, al-

TABLE 9:
BIG FOUR BANKS' SHARE OF REINVESTMENT LENDING AND INVESTMENTS 2010

	All Banks	Big Four Banks		"Fair Share"
	Total		% of total	60.91%
Multifamily Lending in LMI* tracts (#)	700	38	5.43%	426
Multifamily Lending in LMI tracts ($)	$2,002.96	$167.91	8.38%	$1,220.00
Community Development Lending (# Loans)	576	203	35.24%	351
Community Development Lending (in $)	$3,113.66	$1,771.12	56.88%	$1,896.53
Small Business Loans in LMI neighborhoods (#)	9457	5783	61.15%	5760
Small Business Loans in LMI neighborhoods ($)	$396.40	$197.48	49.82%	$241.44
CRA-qualified Investments (#)	149	47	31.54%	91
CRA-qualified Investments ($)	$1,818.24	$1,091.30	60.02%	$1,107.49
Home purchase loans to LMI borrowers (#)	2580	1833	71.05%	1571
Home purchase loans to LMI borrowers ($)	$567.56	$367.02	64.67%	$345.70
CRA-eligible grants in NYC (#)	1513	459	30.34%	922
CRA-eligible grants in NYC ($)	$64.42	$23.34	36.23%	$39.24
Total Reinvestment	$7,963.23	$3,618.17	45.44%	$4,850.40

*LMI = low- and moderate-income

though in reality, very few banks provided data or participated in the program.

Being the largest lenders, these banks have a particular obligation to ensure that both low- and moderate-income borrowers and people of color have equal access to loans. It is thus concerning to see such racial disparities in all four banks. Whites make up 33% of the New York City population, as compared to Blacks and Latinos which together make up 51.4%. Yet, according to HMDA data, just under half of their home purchase loans went to White borrowers while 14% went to Black and Latino borrowers. The disparities did decrease among loans to low- and moderate-income borrowers, but those comprise only 8.5% of their loans.

These four banks have a large stake in the future of New York City. Through expansions, mergers, and acquisitions, they are clearly increasing their market share in our city. It is a core principle of the CRA that banks must reinvest in the local communities in which they do business. Currently the Big Four collectively reinvest 1.0% (and average 1.9%) of their deposits on these critical investments and loans. If they were to invest their fair share of 61% of reinvestment activity, their reinvestment dollars would rise to $4.9 billion, or 1.35% of their deposits and $1.2 billion more than their current level of reinvestment. Even this "fair share" is a small percentage of their deposits overall and, of course, if they did reach their fair share, it would mean another industry would be investing less in those areas, which is why a key recommendation is that all banks devote more to reinvestment. Such increases would have a large impact on the city's low- and moderate-income residents and neighborhoods by helping to launch and expand hundreds of new and existing small businesses; finance much-needed affordable housing; put people in new homes, and support myriad economic development projects citywide.

MAJOR FINDING #3

THE AMOUNT NEW YORK CITY BANKS REINVEST IS NOT SUFFICIENT TO TRULY HELP MEET THE CREDIT NEEDS OF LOW- AND MODERATE-INCOME NEW YORKERS. THE 23 LARGEST BANKS IN NEW YORK CITY HOLD OVER $590 BILLION IN DEPOSITS AND COLLECTIVELY DEVOTE ONLY 1.35% OF THESE DEPOSITS TO LENDING AND INVESTMENTS THAT BENEFIT LOW- AND MODERATE-INCOME NEW YORKERS. THIS AMOUNT SHOULD NOT BE ENOUGH TO SATISFY THEIR OBLIGATIONS UNDER THE CRA.

Reinvestment activity encompasses a wide range of lending and investments in the health and stability of New York City neighborhoods. This year we created a separate indicator in our overall ranking that factors in the total reinvestment activity of each bank that reported on all three (wholesale), or eight (savings and commercial) reinvestment activities.

We considered three major reinvestment activities for all banks: (1) community development lending, (2) CRA-qualified investments, and (3) CRA-eligible grants. We considered an additional five reinvestment activities for savings and commercial banks: (1) Multifamily lending in low- and moderate-income tracts; (2) and (3) Small business lending in low-income and moderate-income neighborhoods; and (4) and (5) Home purchase lending to low-income and moderate-income borrowers.

The need for quality community development lending and investments is greater than ever as poverty increases while access to credit tightens. Poverty in New York City is at its highest level since 2005; by the New York City Center for Economic Opportunity's calculation, which takes into account both public benefits received and the high cost of housing, 21% of New Yorkers were in poverty in 2010, up 1.3 percentage points from the year before[3]. Meanwhile, we are losing tens of thousands of units of affordable housing, and at risk of losing many more. From 1990 to 2008, New York City lost 31% of its subsidized affordable housing stock[4]. Further research by ANHD reveals that, largely due to financing mechanisms and incentives that only guarantee 30-45 years of affordability, 72.3% of affordable city-subsidized units created between 1987 and 2007 are at risk of losing their affordability by 2037[5].

In light of these facts, coupled with increasing deposits, increasing profits, and an ever-growing need for affordable housing and community development, ANHD believes that 1.35% of the banks' deposits committed to reinvestment activities is insufficient. The percentages change from bank to bank, but overall the percentage is very low as are the individual percentages for most banks, with the majority reinvesting less than 2% of their deposits.

Citibank and M&T are the top two commercial banks ranked in this category. Citibank demonstrates the type of reinvestment every bank should strive towards. They have clearly made a commitment to community development as an institution, with a separate division and devoted, empowered staff. Citibank engages directly with community organizations and city officials on a regular basis and makes targeted, timely community development loans and CRA-qualified investments (including LIHTC) to support the creation and preservation of affordable housing. While M&T has a much smaller deposit base than Citibank, they are also a leader and committed to reinvestment, with a focus on the same areas. The remaining ranked commercial banks dedicated much less of their deposits to reinvestment, with JPMorgan Chase and Bank of America reinvesting less than 1% of their deposits. Signature and Valley National were not ranked because they did not report on all eight activities.

Savings banks performed much worse. Aside from New York Community Bank, which far outranked its peers at 24.53% of deposits because of its dominant share of the multifamily lending market and other investments, no other savings bank exceeded even 2.5%. The #2 ranked Carver dedicated only 2.22% of their deposits to reinvestment and the remaining banks reinvested less than 1%. Dime, Emigrant, and Ridgewood were also not ranked because they did not report on all eight activities.

The vast majority of the wholesale banks' reinvestment activities went towards community development lending, CRA-qualified Investments, and CRA-eligible grants, thus we ranked them on those three areas. Goldman Sachs also reported two multifamily loans which are noted in Table 11, but are not included in the ranking. Bank of New York Mellon was not ranked because it did not report on all three of these activities.

This year, ANHD is asking the question: if 1.35% of deposits reinvested is not sufficient to help meet the credit needs of low- and moderate-income New Yorkers, then how much is enough?

How much should banks be expected to invest in order to satisfy their obligations under the CRA? While the law offers a clear definition of the areas being assessed, it offers little guidance on the dollar amount banks should be reinvesting back into their assessment areas. We know that CRA regulators look at the community needs within the bank's assessment area, including poverty and housing data, and then qualitatively and quantitatively examine the bank's reinvestment activities regarding lending, investments, and services. Typically, more weight is given to the lending test.[6]

[3] NYC Center for Economic Opportunity (April 2012), The CEO Poverty Measure, 2005-2010. A Working Paper by the NYC Center for Economic Opportunity, retrieved online at: http://www.nyc.gov/html/ceo/downloads/pdf/CEO_Poverty_Measure_April_16.pdf
[4] Waters, T. & Bach, V., Community Service Society (Dec. 2009) A Wave of Mortgage Defaults is Threatening New York City's Housing Stock
[5] ANHD (2010) A Permanent Problem Requires a Permanent Solution: New York City's next affordable housing expiring-use crisis and the need for permanent affordability
[6] http://www.fdic.gov/regulations/examinations/supervisory/insights/siwin09/accounting_news.html

While we do not attempt to answer that question definitively this year, we pose the question and, based on current reinvestment levels together with our understanding of the needs in New York City and what makes for good CRA reinvestment, we propose an initial set of goals. As we develop this new metric more concretely, we believe it must have both a quantitative and qualitative component, reflecting the need for each bank to increase the amount they reinvest, and the equally compelling need for these investments and loans to be targeted, strategic, and equitable in order to maximize their community benefit. We will further study, refine, and evaluate these benchmarks over the coming year.

The persistent housing crisis in New York City manifests itself in many ways with rents rising faster than wages; very low housing vacancy rates, especially for more affordable apartments; the loss and impending loss of hundreds of thousands of units of affordable housing due to vacancy decontrol and expiring tax credits; almost no vacant land upon which to develop new housing; and high poverty and unemployment rates. This situation, coupled with taxpayer-backed benefits and supports that virtually ensure the banking system's survival at all costs, means the banks must be held to a higher standard that is worthy of such public benefits. ANHD believes the banks need to invest more, and do so in a targeted, strategic manner so as to help New York City families enjoy the same prosperity they do.

TABLE 10:
HIGHEST PERCENTAGE OF REINVESTMENT TO DEPOSITS (2010)

		% of Deposits	Total Reinvestment activity (millions)	NYC Deposits (billions)
Commercial				
Citibank	1	4.20%	$2,055.68	$48.91
M&T	2	4.02%	$78.84	$1.96
Capital One	3	2.35%	$418.14	$17.80
Wells Fargo	4	2.28%	$263.49	$11.58
Banco Popular	5	1.57%	$30.60	$1.94
TD Bank	6	1.30%	$135.28	$10.40
HSBC	7	1.19%	$468.92	$39.37
Bank of America	8	0.88%	$379.30	$43.00
JPMorgan Chase	9	0.36%	$919.71	$256.00
Signature*		10.87%	$652.78	$6.00
Valley National*		1.21%	$20.52	$1.70
Savings				
NY Community Bank	1	24.53%	$1,241.36	$5.06
Carver	2	2.22%	$10.76	$0.48
Sovereign	3	0.80%	$60.62	$7.60
Apple Bank	4	0.75%	$29.81	$4.00
Astoria	5	0.15%	$6.51	$4.30
Emigrant*		0.18%	$5.57	$3.09
Ridgewood *		0.87%	$21.50	$2.48
Dime Savings *		7.80%	$149.04	$1.91
Wholesale				
Goldman Sachs	1	1.36%	$437.85	$32.31
Morgan Stanley	2	0.90%	$58.70	$6.53
Deutsche	3	0.35%	$61.50	$17.75
Bank of NY Mellon*		0.65%	$431.00	$66.00

*Not ranked because the bank did not report on all reinvestment categories

The total reinvestment activity reported to ANHD in 2010 was $7.9 billion, which equals 1.35% of their $590 billion held in local deposits. The 23 banks averaged 3.1% of deposits, although when removing the highest and lowest percentages, the average drops to 2.2%. Citibank and M&T, which we consider leaders in community development activity and practices, reinvested just over 4%.

Based on this analysis of current reinvestment levels, ANHD believes that a goal of a minimum of 5% of New York City deposits responsibly reinvested in our City is both reasonable and attainable for most banks. We would like to see banks that are close to this percentage take steps over the next year to reach or exceed that 5% goal in a responsible manner. We also recognize that it might take more time for some banks to reach that goal, while others have already exceeded it. That being said, we would expect every bank to increase its reinvestment levels from year to year and for those well below the 5% mark to take incremental steps towards that goal, and to build the infrastructure (staff and resources) within their institution to support larger deals that target the unique banking needs of New York City communities.

TABLE 11:
REINVESTMENT LOANS AND INVESTMENTS IN EACH CATEGORY (MILLIONS)
(LI = LOW-INCOME; MI = MODERATE-INCOME; LMI = LOW- AND MODERATE-INCOME)

		Multifamily lending in LMI tracts	Comm. Devt Lending	Small Business Loans in LI tracts	Small Business Loans in MI tracts	CRA Qualified Investments	Home Purchase Loans to LI borrowers	Home Purchase Loans to MI borrowers	CRA-Eligible Grants
Commercial									
Citibank	1	$1.39	$1,035.00	$8.78	$20.84	$832.27	$28.11	$123.07	$6.23
M&T	2	$0.70	$56.69	$2.45	$3.50	$5.43	$0.94	$8.41	$0.72
Capital One	3	$209.80	$126.70	$4.40	$7.30	$63.30	$0.50	$2.30	$3.84
Wells Fargo	4	$21.13	$19.82	$6.60	$21.76	$71.39	$11.84	$109.43	$1.52
Banco Popular	5	$3.25	$13.76	$0.92	$2.39	$9.96	$0.00	$0.25	$0.08
TD Bank	6	$23.90	$9.10	$5.00	$11.70	$81.30	$0.38	$2.80	$1.10
HSBC	7	$0.85	$142.70	$38.04	$97.85	$21.72	$20.11	$146.00	$1.66
Bank of America	8	$88.20	$79.30	$24.50	$27.40	$116.30	$3.80	$36.00	$3.80
JPMorgan Chase	9	$57.19	$637.00	$25.20	$62.42	$71.35	$3.90	$50.87	$11.79
Signature		$363.83	$280.30			$8.65			
Valley National			$19.00				$0.00	$0.07	
Savings									
NY Community Bank	1	$1,003.00	$112.94	$2.49	$9.59	$109.07	$0.18	$2.37	$1.18
Carver	2	$3.65	$4.41	$1.00	$0.00	$0.00	$0.88	$0.75	$0.06
Sovereign	3	$39.30	$1.60	$2.20	$8.40	$0.00	$1.10	$7.80	$0.22
Apple Bank	4	$3.10	$26.20	$0.00	$0.00	$0.36	$0.00	$0.08	$0.07
Astoria	5	$0.00	$0.05	$0.48	$1.23	$0.00	$0.32	$4.26	$0.18
Emigrant		$4.60					$0.00	$0.97	
Ridgewood		$2.30	$9.20	$0.00	$0.00	$9.90			$0.11
Dime		$148.94		$0.00	$0.00		$0.00	$0.10	
Wholesale									
Goldman Sachs	1	$25.84	$258.59			$156.24			$23.02
Morgan Stanley	2		$28.00			$27.00			$3.70
Deutsche	3		$47.30			$9.00			$5.20
Bank of NY Mellon			$206.00			$225.00			

While not all banks reported in every reinvestment category, we wouldn't expect the total number to increase much beyond the $7.9 billion reported. Only three banks exceeded 5% of their deposits and the majority didn't even come close, with 15 of the 23 reinvesting less than 2% of their deposits. New York Community Bank invests very large sums in multifamily lending, including buildings in low- and moderate-income tracts, which raises its reinvestment index considerably, but they should also be recognized for their high levels of community development lending and CRA-qualified investments. Signature and Dime follow a similar model where multifamily lending is a big component of their business model, contributing to their high percentage of reinvestment to deposits, but Signature too does a large volume of community development lending

ANHD recognizes that some banks have business models that make it difficult for them to provide certain products or engage in the full range of CRA-related activities. That being said, as we encourage banks to reinvest more and to focus on areas they know best, it is hard to justify not providing products or programs that impact large segments of the residents and neighborhoods they serve. Given the importance of multifamily housing in New York City, therefore, we would expect all banks in our study to invest in the creation and preservation of multifamily properties, in addition to their other investments and loans. And, again, we must note that in this context, the quality of the lending truly matters. Loans to bad actor landlords with a pattern of denying repairs and services to tenants, or "predatory loans" based on speculative assumptions about a building's income so as to encourage the denial of services or eviction of lower-rent tenants undermine affordable housing and destabilize communities.

SETTING HIGH STANDARDS FOR REINVESTMENT

5% OF DEPOSITS REINVESTED – and incremental increases as banks approach that goal – would have a huge impact on lower-income communities.

One example of lending that community advocates have questioned comes from Dime, which has raised concern among some community groups and advocates who believe that the bank has at times made loans using faulty, speculative underwriting standards to bad-actor landlords without any effort to hold them accountable to the needs of the tenants or to transfer distressed buildings to preservation-minded developers.[6] "We worked in several highly distressed buildings where Dime Savings Bank held the mortgage," said Kerri White, co-director of organizing and policy at the Urban Homesteading Assistance Board (UHAB). "When confronted with the poor conditions in the buildings, Dime was reluctant to take any responsibility or even admit their financial and physical problems. Dime wouldn't discuss the possibility of a preservation outcome, but instead sold the mortgages to a private equity company who we believed was unqualified to take over such distressed properties."

The same precaution holds true with regards to lending for one to four family homes – ANHD recognizes that low- and moderate-income New Yorkers need access to credit in order to purchase and refinance their homes, but volume alone isn't enough; loans must be safe and sound and made equitably across race, ethnicity, and income, ideally coupled with services such as pre-purchase and financial counseling, and also financial assistance to those who qualify.

Philanthropy is a special type of CRA-qualified investment included in the reinvestment index and the only investment for which a bank does not get any direct return; these are grants, and not loans, that come out of a bank's assets and profits, rather than insured deposits. Their philanthropic giving is thus a statement of their values and commitment to New York City. 18 banks reported on their philanthropic giving in New York City, totaling $64.48 million and averaging 0.018% of their deposits. If all 23 banks gave even 0.05% of their deposits in CRA-eligible grants, that would translate into $295 million to carry out the missions of hundreds of nonprofit Community Development Corporations (CDCs), service organizations, and advocacy efforts dedicated to community development and anti-poverty initiatives.

The nonprofit sector CDCs and community organizing groups in New York City are mission-driven to serve and empower the low- and moderate-income communities of the City to build and preserve affordable housing; improve economic conditions; and increase civic participation. All banks can, and should, do more across the reinvestment spectrum, by partnering in a meaningful way with this nonprofit sector to develop and maintain affordable housing;

[6] Velsey, K. (Dec 2009) "Paths Diverge Post-Default for Decaying Bx Buildings," retrieved online from City Limits: http://www.citylimits.org/news/articles/3847/paths-diverge-post-default; Jaccarino, M. (Nov. 2009) "Angry Tenants of Run-down buildings bank on protests" retrieved online from the NY Daily News: http://articles.nydailynews.com/2009-11-27/local/17938680_1_dime-savings-bank-buildings-bank-branch

provide fair and consistent lending to consumers, businesses, and nonprofits for housing and economic development; and engage in responsible, generous philanthropy that supports a vibrant, healthy city and nonprofit sector.

Banks often cite the highly competitive market in New York City that makes finding CRA opportunities difficult. While ANHD acknowledges this challenge, we also know that the opportunities for community development are endless. The aging housing stock; high unemployment levels; tightening lending standards; and myriad economic, social and environmental needs present many opportunities. Examples include investments, grants, and loans to:

- Rehabilitate and green our aging housing stock
- Maintain NYCHA, the largest stock of public housing in the country.
- Support the nonprofit neighborhood–based CDCs and community organizations that build and maintain thousands of units of affordable housing and provide services to tenants and nearby residents to stabilize and revitalize their neighborhoods.
- Provide funding through CDFI's and institutions like CPC and Enterprise that lend and syndicate tax credits.
- Acquire and build affordable housing

We believe that reinvesting a minimum of 5% of deposits is a reasonable, attainable goal. 5% of deposits dedicated to the full range of reinvestment activities – and incremental increases as banks reach that goal – would have a huge impact on the lower-income neighborhoods of New York City. ANHD will be studying the issue further over the next year to evaluate the goal itself and how to ensure that these investments are made responsibly and equitably across the diverse neighborhoods of New York City.

PART II

DETAILED ANALYSIS OF BANK REINVESTMENT

DEPOSITS

- **Deposits up 11.7%: From in 2009 to $583.65 billion in 2010**

With nearly nine million people, tens of thousands of small businesses (second only to Los Angeles[1]), and some of the largest businesses in the world, New York City supplies a significant customer base for the country's banks, many of which are headquartered or maintain a significant presence here. As such, bank deposits held in New York City are a strong indicator of each bank's presence in the City, and often reflect the many mergers and acquisitions of a consolidating industry. For example, since taking over Wachovia Bank (one of the largest banks in the country prior to the crash), Wells Fargo is clearly building its presence in New York City, as is evidenced by a nearly three-fold increase in deposits[2]. Similarly, JPMorgan Chase has been growing rapidly as it continues to systematically grow its footprint and acquire banks in New York City. Since 2007, their deposit base has gone up 33%, in part due to their acquisition of Washington Mutual. JPMorgan Chase is by far the largest bank in the city, holding over three and a half times the deposit base of the next largest bank, Goldman Sachs, and over five times that of Citibank.

While bank deposits overall may fluctuate throughout the year, depending upon the overall health of the economy, including individual consumers' and businesses' ability and desire to save, spend, or borrow, their relative sizes are a good indication of each bank's presence and, thus, obligation to invest in New York City. Similarly, consumers and businesses deposit their money in banks as a safe place, and expect these deposits to be used in a safe and sound manner to keep the economy growing and contribute to the health and wellbeing of the city.

Regulators use a combination of Tier 1 capital, deposits, and assets to estimate the volume of a given bank's lending, investment and services. While this may be the best indicator for determining the entire bank's commitment, and 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, investment, and philanthropy are all tied to the size of a bank's local deposits.

New York City is the headquarters for many wholesale and national commercial banks, which means that they may book deposits here that may not be tied to a local resident. For example, the deposit information for Goldman Sachs essentially represents both their national and New York City deposits since the bank has only one other small branch in Utah. This distinction should not matter when determining a bank's local CRA obligations, since obligations are tied to an assessment area and banks choose their assessment areas.

For the third straight year in a row, deposits among the major New York City banks increased significantly. 22 of the 23 banks that reported in 2009 and 2010 increased their New York City deposits 11.7% from $522.5 billion in 2009 to $583.7 billion in 2010. In the previous two year period, 16 banks reported in both years (2008 and 2009); among those 16 banks, deposits increased 12.9% over 2010, higher than the 6.8% increase of the previous two-year period.

[1] Crain's New York Business "Small Business 2011 – Number of Small Businesses" http://mycrains.crainsnewyork.com/cityfacts/2011/small-business/number-of-small-businesses
[2] Merger completed in 2008, but the integration process continued over the next 2-3 years

Between 2009 and 2010, 15 banks increased their deposits in New York City and seven saw a decrease. Throughout the report, in addition to looking at the banking industry as a whole, we compare banks to their peers. The banks are distinguished by classifications as defined by their state and federal charters and regulators: 11 commercial banks, eight savings banks, and four wholesale banks. Historically, commercial and savings banks have operated with somewhat distinct business models. Commercial banks are publicly owned companies with a primary obligation to make a profit for their shareholders. They focus much of their business on corporate clients and short-term business credit, but also offer a wide range of individual products, such as savings and checking accounts; small business loans; and mortgages. Savings banks historically focused almost exclusively on residential mortgages and savings accounts and were more regional and local in focus, rooted in their specific local communities and their needs. Over the years, however, commercial banks have acquired smaller savings banks, and savings banks have expanded their footprints and services, such that the lines between the two have blurred and both operate quite similarly in many areas. Nonetheless, these are distinct classifications used by federal and state regulators and as such, we also separate them for purposes of classification and rankings. Wholesale banks are the third classification of banks, and they continue to serve large corporations and a few high-wealth clients exclusively.

TABLE 12
PERCENT CHANGE IN DEPOSITS FROM 2009 TO 2010

2009	2010	% Change 2009-10
$522.5 billion	$583.7 billion	11.70%

TABLE 13:
PERCENT CHANGE IN DEPOSITS FOR THE 16 BANKS REPORTING IN 2008, 2009, AND 2010

2009	2010	% Change 2009-10	2008	% change 2008-9
$476.8 billion	$538.3 billion	12.90%	$446.4 billion	6.80%

The 11 commercial banks in our study largely follow the trends of the overall industry, including deposits. Commercial banks increased their New York City deposit base by 10.74% in 2010. Much of the overall increase is due to Wells Fargo which is growing rapidly in New York City, and increased its deposits by nearly 250%, from $3.33 billion to $11.58 billion. Three other commercial banks also increased their deposits substantially (Signature by 50.1%, Bank of America by 22.9%, and Valley National by 21.4%). Only two commercial banks' deposits decreased (Banco Popular by 11.6% and M&T by 21.6%). Interestingly, both increased their national deposits.

The savings banks' deposits were basically flat, increasing only by 0.05%. Within that category, most banks' deposits were fairly stable, increasing and decreasing only a modest amount. Sovereign and Ridgewood saw the largest increases (5.56% and 4.64%, respectively). Sovereign's deposit base has been growing steadily since 2008; its deposits jumped 12.5% from 2008 to 2009, and then by a more modest 5.6% in 2010. Sovereign was acquired in 2008 by the Spanish bank Santander and, in 2011, officially changed from a savings bank to a commercial bank. The next ANHD report will reflect this new classification. The largest decreases in deposits were at Astoria and Carver (down 8.5% and 17.2%, respectively). The deposits held by the wholesale banks increased by nearly 20%. Bank of New York Mellon is by far the largest and fastest growing of the wholesale banks, with $66 billion in deposits, up 32% from 2009. Deutsche Bank also increased by 19.8%, while Goldman Sachs decreased by 1.2%.

This report focuses solely on bank reinvestment activities, most of which are directly connected to a bank's CRA obligations, thus we chose to focus our profit analysis on net income attributable to the banks, and not those attributable to the other company activities. These other activities would certainly impact the overall profits and losses. In 2010, profits attributable to the 23 banks more than doubled in 2010. According to the FDIC, collectively their profits jumped from $22.2 billion to $48 billion. Only two banks showed a loss in 2009 (Banco Popular and Carver), and only three banks' profits decreased over 2009. TD Bank and Sovereign recorded the biggest increases in profits by far amongst all 23 banks, followed by Capital One and Ridgewood. Citibank, HSBC, Emigrant, and Bank of New York Mellon all came out of the red after showing losses in 2009, with Citibank now earning the 4th highest profits of all banks in 2010, after JPMorgan Chase, Wells Fargo, and Bank of America.

With this context in mind, we would expect to see community reinvestment activities up overall, with the majority of the increases by commercial and wholesale banks, representing their larger growth and share of New York City deposits. At the same time, given the very small percentages of deposits reinvested by nearly every institution, we would expect reinvestment to increases in all banks, including the savings banks. While we did see signs of improvement in 2010, there are specific areas where investment lagged behind these increases in deposits, and cause for concern where other reinvestment activities decreased for yet another year.

BRANCHING PATTERNS

Branches down slightly:

- **Down .43%: from 1,393 in 2009 to 1,387 in 2010**
- **Down 5.62% in lower-income neighborhoods: From 89 in 2009 to 84 in 2010**

For many consumers, particularly in low-income and immigrant communities, the first point of contact with a bank is a physical branch and the staff working there. Studies show that increasing bank branches has a direct, positive, impact on small business lending, as well as individual wealth-building through opening savings accounts and establishing credit history. The absence of bank branches in low-income communities opens the door to more predatory businesses such as abusive payday lenders and check cashers[3]. Therefore, we are concerned that the number of branches went down at all and especially in low-income communities.

The number of branches remained relatively stable, decreasing slightly by 6 branches (0.43%). The percentage in low-income communities decreased at a larger rate (5.6%, down from 89 to 84 branches among the 18 that reported in both years). The number of branches in moderate-income neighborhoods increased slightly (up 2.5% from 241 to 247). ANHD has long recommended that 25% of a bank's branches be in low- and moderate-income tracts. This year, twelve of the 19 commercial and savings banks met that threshold. Wholesale banks do not have traditional branches.

Commercial bank branches remained basically flat, closing only three branches, but they decreased their presence in low-income neighborhoods by 4.2%. JPMorgan Chase closed 12 branches, five of which were in low-income neighborhoods. They noted to us that all of the branches closed were located within 1,000 feet of another branch following

TABLE 14

HIGHEST PERCENTAGE OF BRANCHES IN LOW- AND MODERATE-INCOME (LMI) CENSUS TRACTS IN NYC (2010)

		% in LMI Tracts	# in LMI Tracts	Total Branches
Commercial				
Banco Popular	1	64.50%	20	31
Bank of America	2	35.10%	40	114
Citibank	3	30.10%	41	136
Savings				
Carver	1	77.80%	7	9
Dime	2	66.70%	12	18
Apple Bank	2	55.90%	19	34

TABLE 15

HIGHEST PERCENTAGE OF BRANCHES IN LOW-INCOME (LI) CENSUS TRACTS (2010)

		% in LI Tracts	# in LI tracts	Total NYC Branches
Commercial				
Banco Popular	1	32.30%	10	31
Bank of America	2	11.40%	13	114
JPMorgan Chase	3	8.90%	34	384
Savings				
Emigrant	1	22.73%	5	22
Carver	2	22.20%	2	9
Apple Bank	3	20.60%	7	34

[3] *Silver, J. & Pradhan, A. (2012, April): "Why Branch Closures are Bad for Communities", Issue Brief by the National Community Reinvestment Coalition: http://www.ncrc.org/resources/reports-and-research/item/729-issue-brief-why-branch-closures-are-bad-for-communities*

TABLE 16:
BIGGEST DECREASE IN THE NUMBER OF BANK BRANCHES IN NYC

	Total NYC Branches		Percentage in Low- and Moderate-Income Tracts	
Commercial	% Change		% Change	
Wells Fargo	-15.40%	From 26 to 22	18.20%	From 7.7% to 9.1%
M&T	-7.70%	From 13 to 12	8.30%	From 15.4% to 16.7%
Banco Popular	-3.10%	From 32 to 31	-6.20%	From 68.8% to 64.5%
JPMorgan Chase	-3.00%	From 396 to 384	-1.20%	From 30.3% to 29.9%
Savings				
Ridgewood	-3.80%	From 26 to 25	4.00%	From 26.9% to 28%
NY Community Bank	-2.30%	From 87 to 85	2.40%	From 19.5% to 20%
Sovereign	-1.40%	From 72 to 71	9.90%	From 16.7% to 18.3%

the Washington Mutual acquisition, and thus considered "colocations" that don't count as closings by CRA regulation. However, given the great need for banking services in low-income communities, we are still concerned about any such closings without an explicit increase in staffing and services at the nearby branches. TD Bank increased its branch presence by 13.5% in 2010, but only one opened in a moderate-income neighborhood and none in a low-income tract. In 2012, TD Bank announced an explicit plan to increase its branch presence by over 50% in New York City, and we hope to see a higher percentage of those branches in both low- and moderate-income neighborhoods[4]. Despite Wells Fargo's growing deposit base and activity New York City, its branch presence declined, including one branch that closed in a low-income neighborhood.

The decrease among savings banks overall was also very modest. Among the eight savings banks, the total number of branches declined by 1.0%, or three branches. We have census level data for seven of these banks in both years, and of those, the number of branches in low-income neighborhoods decreased by 11.8% (down from 17 to 15). The decline in low-income neighborhoods resulted from Carver closing three branches, and Apple Bank opening one. While small in number, any branch closings in low-income neighborhoods are worrisome. However, it should be noted that Carver, Apple, Dime, and Emigrant all maintain 50% or more of their branches in low- and moderate-income neighborhoods.

COMMUNITY DEVELOPMENT STAFFING

- **Community Development Staff up 31.4%: From 229 in 2009 to 301 in 2010**

It has been ANHD's experience that the banks with the most effective reinvestment programs, including both community development lending and philanthropy, 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 truly help meet the city's needs because the context of development in New York City is very specific. 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. The size and scale of New York City also mean that a bank has to understand the community context of very different neighborhoods. The community development and lending needs of Downtown Brooklyn are very different from those of East New York, Brooklyn, just as the development and lending context of the Highbridge section of the Bronx is very different from the Grand Concourse corridor in the same borough. A bank needs locally engaged and expert staff to fully understand the

[4] *Berr, J. (2012, June) "The World According to TD", retrieved from American Banker online: http://www.americanbanker.com/magazine/122_6/td-bank-us-expansion-strategy-1049447-1.html*

needs and the opportunities of these diverse neighborhoods.

After a year of volatility in community development staffing, with most banks reducing their staff in 2009, we saw a more positive trend in 2010 with staffing levels up 31.4% overall. The biggest increases came from the commercial banks (up 39.6%), with five more than doubling their staff and three close to tripling it. Citibank made the biggest improvement from eight to 31. M&T went from one to three, still very small relative to its peers. Capital One added nine staff members. Bank of America also increased its staff considerably, up to 41 from 14, but the percentage located in New York City decreased by 40%. This mirrored a similar trend in commercial banks, with the percentage located in the City decreasing among many of them. This year only JPMorgan Chase and HSBC reduced community development staffing. JPMorgan Chase reduced its staff by four employees (4.4%), but still has the largest team with 86 people. HSBC went down to four, from six, employees.

The wholesale banks increased staffing by 33%, all due to Goldman Sachs, which has the largest community development team of the wholesale banks and is growing; Goldman Sachs added six new people in 2010 to reach 24. The savings banks mostly remained stable, increasing by only 4.2%, which was due to Ridgewood and Astoria each adding one community development staff member.

We are pleased that all but four of the 20 banks that responded to the staffing question in 2010 maintain over two-thirds of their community development staff located here in New York City. Only New York Community Bank and Astoria have less than half of their staff in New York City; New York Community Bank has 12 (36.4%) of their 33 staff in New York City and Astoria's one employee is not located in New York City. It must be noted, though, that Astoria had no community development staff last year, so this is a slight improvement. Half of the community development staff supporting New York City for TD Bank and Bank of America are located in New York City. Three commercial banks and four savings banks maintain all of their community development staff locally based.

The percentage of staff supporting all CRA-related activity (CRA Staff) in New York City is slightly lower. Only 20% of JPMorgan Chase's CRA staff is located in New York City. M&T and Capital One also have less than half of their CRA staff in New York City, but the remaining banks have higher ratios. We expanded our definition of CRA staff to now include staff supporting all CRA-related activity, and not just philanthropy, thus we cannot compare to 2009.

COMMUNITY DEVELOPMENT LENDING

Community Development Lending up, but less so to nonprofits:

- **Lending up 72.7%: From $1.62 billion in 2009 to $2.80 billion in 2010**
- **Lending to nonprofits up 6.1%: From 520.2 million in 2009 to $551.7 million in 2010**

Community development lending includes loans to both for-profit and nonprofit developers for affordable housing rehabilitation and construction, neighborhood revitalization, small business development, and job creation initiatives. New York City's affordable housing development programs and sector lead the country in productivity and sophistication, and all of our city's programs depend on the availability of this capital, as do many of our neighborhoods.

For CRA purposes, examples of community development can include loans for affordable housing construction and rehabilitation; loans to nonprofits serving primarily low- and moderate-income housing or other community development needs; loans for community facility construction and rehabilitation; certain small business administration programs; and loans to financial intermediaries including Community Development Financial Institutions (CDFIs), New Markets Tax Credit-eligible Community Development Entities, Community Development Corporations (CDCs), minority- and women-owned financial institutions, community loan funds or pools, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development. Banks can also get CRA credit in this category for permanent financing of multifamily rental property serving low- and moderate-income tenants, but given the importance of multifamily housing in New York City, at ANHD we do not include such loans in this category, but rather include them in our analysis of multifamily lending, where we report data on new loans originated for the purchase or refinance of all multifamily buildings in New York City and specifically in low- and moderate-income tracts.

TABLE 17

HIGHEST PERCENTAGE OF DEPOSITS DEDICATED TO COMMUNITY DEVELOPMENT (CD) LENDING 2010 (MILLIONS)

Commercial		% of NYC Deposits	CD Lending
Signature	1	4.67%	$280.30
M&T	2	2.89%	$56.69
Citibank	3	2.12%	$1,035.00
Savings			
NY Community Bank	1	2.23%	$112.94
Carver	3	0.91%	$4.41
Apple Bank	4	0.66%	$26.20
Wholesale			
Goldman Sachs	1	0.80%	$258.59
Morgan Stanley	2	0.43%	$28.00
Bank of NY Mellon	3	0.31%	$206.00

TABLE 18

HIGHEST PERCENTAGE OF COMMUNITY DEVELOPMENT LOANS TO NONPROFITS 2010 (MILLIONS)

Commercial		% Loans to NFPs ($)	Lending to NFPs
TD Bank	1	100.00%	$9.10
Wells Fargo	1	100.00%	$19.82
Bank of America	3	78.18%	$62.00
Savings			
Sovereign	1	100.00%	$1.60
Carver	2	71.40%	$3.15
Ridgewood	3	10.87%	$1.00
Wholesale			
Morgan Stanley	1	100%	$28.00
Goldman Sachs	2	60.27%	$155.86

After considerable declines between 2008 and 2009, we are pleased that community development lending is up in 2010, with an increase in lending of 72.7%, as well as a 71.8% increase in the amount of loans dedicated to affordable housing. Commercial banks well exceeded their increase in deposits in both the number and dollar amount of loans (up 30.4% and 90.7%, respectively). They also more than doubled the amount loaned for affordable housing. However, it must be noted that the total 2010 lending is still slightly below 2007 levels when compared among the 14 banks that reported in both of those years. TD Bank, Banco Popular, and Sovereign almost zeroed out their lending as compared to their 2007 levels, and M&T and Valley National decreased spending over 40% since 2007. In fact, only four banks increased their community development lending over 2007 levels.

Wholesale banks increased their community development lending by nearly 70% from 2009. The two Wholesale banks reporting in both years also originated more community development loans for affordable housing, but at much smaller amounts, as the number of loans increased by 29%, but the dollar amount decreased by 42%. Goldman Sachs did much better than its peers, with $258.6 million in community development lending overall, representing 0.8% of its deposits and more than triple the amount loaned in 2009. However, all four wholesale banks still dedicated less than 1% each of their deposits to this critical reinvestment activity in 2010.

Commercial banks hold close to three-quarters of New York City deposits, and they exceeded their share in this category. They were responsible for 77.3% of the community development lending overall, and 63.2% of lending to nonprofits. They were responsible for an even larger share of the affordable housing loans, originating 76.1% of the loans and 92.5% of the dollars loaned. Citibank emerges as a leader in community development lending, lending over $1 billion, which is the most by far and third highest percentage of deposits. JPMorgan Chase loaned the most after Citibank ($637 million), but this is only 0.25% of its deposits. Citibank is known among ANHD members as a reliable source of community development lending.

Community Development lending decreased across the board in the savings banks. Among the five banks reporting in both years, the number and dollar amount of community development loans decreased by 15.1% and 25.2%, respectively. Lending to nonprofits decreased by nearly 82% for the four banks that reported in that category. The number of loans for affordable housing decreased slightly by 12.5%, but the amount loaned increased considerably from $6.1 million to $33.7 million.

The increase in community development lending to nonprofits greatly lagged behind the increases overall. Of the 14 banks reporting in both years, the number of loans to nonprofits decreased 22.5% and the amount loaned increased only 6.1%, well below the 11.7% increase in deposits. Commercial and savings banks decreased considerably both the number and dollar amount of loans to nonprofit organizations. Only wholesale banks showed an increase, but that reflects just two banks reporting in this category in both years, which together increased their lending to nonprofits by 70%. This was driven by Goldman Sachs, which increased this lending by over 200%.

In 2010, three wholesale banks reported their community development lending activity and the results were mixed. Wholesale banks hold 20% of the city's deposits and accounted for close to their share (17.6%) of the community development loans and they greatly exceeded their share in community development lending to nonprofits; 35.78% of the dollars loaned to nonprofits were originated by wholesale banks. However, they were responsible for barely 5% of the amount loaned for affordable housing.

Banks continue to dedicate a very small percentage of their deposits to community development lending, barely changing from 2009 to 2010. Banks averaged 0.77% of their deposits towards community development lending in 2010, up from 0.72% in 2009. M&T remained in the top three for commercial banks, and is now over 2%, which is more than double its percentage last year. Signature also remains a leader, with nearly 5% of their deposits dedicated to community development lending. Citibank made the biggest leap in this ranking, from number eight to number three this year. They also made the biggest increase in community development lending, from $68 million in 2009 to $1.035 billion in 2010, which is also a considerable increase from their 2007 level of investment of $616.3 million.

TD Bank and Wells Fargo reentered the market after zeroing out their investments last year and we were pleased that all of their community development loans went to affordable housing, and all but one to nonprofit organizations. However, they still only made a very small number of loans, and dedicated a miniscule percentage of their deposits to community development lending (TD Bank made four community development loans, totaling 0.09% of their deposits – well below their 2007 level of investment; Wells Fargo made five loans, totaling 0.17% if their deposits). Among commercial banks reporting in both years, HSBC, Capital One, and Banco Popular decreased their community development lending; Banco Popular decreased the most by 31.6% to $13.76 million.

While Carver remains ranked in the top three among savings banks based on in their percentage of deposits dedicated to community development lending, they decreased the amount loaned by 75%, and their percentage of deposits by about the same (from 3.06% in 2009 to 0.91% in 2010). Both changes far outpace their 17% decrease in deposits. In fact, three of the five savings banks reporting in 2009 and 2010 decreased their community development lending; Astoria Bank nearly eliminated it, dropping from $14.6 million in 2009 to $50,000. Apple made the largest increase in community development lending, more than doubling its investments from $11.6 million to $26.2 million. The average percentage of all community development loans to nonprofits increased overall, but that was entirely due to commercial banks; the average percentage decreased over 22% each for the savings and wholesale banks.

BANK OF NEW YORK MELLON: A MERGER LEADS A BANK TO SUBPAR REINVESTMENT COMMITMENT

The Bank of New York Mellon is the product of a merger between the New York-based Bank of New York and the Pennsylvania-based Mellon Bank. Prior to the merger, the Bank of New York had been a well-respected reinvestment partner in the city for many years, known for areas of strong commitment. When the two banks proposed the merger in 2007, ANHD raised concerns that the combined institution, now headquartered in Pennsylvania, would lose the conscientious and effective local New York City focus of its reinvestment activities. Despite promises to the contrary made to the regulators who approved the merger and to community organizations like ANHD, these concerns turned out to be well-founded. The new Bank of New York Mellon has demonstrated little interest and ability to excel in community development in our city. Although the quantity of activity in the areas we measure is adequate, it lacks the intentional qualitative aspects that mark a serious institutional commitment. Bank of New York Mellon ranks last once again among wholesale banks, due both to their low investments as compared to their deposit base – the largest among wholesale banks – and their lack of a full response, only providing a bare minimum of data and not enough to be ranked in all categories. Bank of New York Mellon is an outlier of subpar community development practice among the wholesale banks. Given its strong and long history in New York City and large local deposit base, New York City government and communities should expect more.

CRA-QUALIFIED INVESTMENTS

CRA-qualified investments up overall, but down with nonprofit sponsors:

- **Investments up 121.2%: From $753.5 million in 2009 to $1.7 billion in 2010**
- **Investments with nonprofit sponsors down 30%: From $233.8 million in 2009 to $163.1 million in 2010**

CRA-qualified investments are investments, deposits, membership shares, or grants that have as their primary purpose community development. For example, banks may purchase state and local government bonds that fund the construction or rehabilitation of affordable housing.

Banks invested considerably more in CRA-qualified investments in 2010; of the 16 banks reporting in 2009 and 2010, the amount invested increased by 121.2% (from $753.5 million to $1.67 billion). However, Low Income Housing Tax Credit (LIHTC) investments, one of the key financing mechanisms used to provide affordable housing for families earning less than 60% of the Area Median Income (AMI), increased only slightly by 3.9% and CRA-qualified investments to nonprofits decreased 30%.

Commercial banks saw the biggest increase in the amount of their CRA-qualified investments; of the eight banks responding in both years, they increased investments by 138.7%. This was largely driven by Citibank's 20-fold increase from $41.4 million to $832.27 million, following a two-year lull, bringing them well above their 2008 level of investment of $257 million. Included in these investments was a $209 million LIHTC investment to preserve nearly 14,500 units of housing, the majority of which is public housing owned and operated by the New York City Housing Authority (NYCHA). HUD Secretary Shaun Donovan called this "the single most important development in the preservation of public housing in New York City.[5]

[5] *http://www.downtownexpress.com/de_360/400million.html*

TD Bank followed a similar trajectory, investing $40.5 million in 2007, followed by two years of decline, and then up to $81.3 million in 2010, from $17 million in 2009, and double their 2007 level of investment. Wells Fargo reentered the market after making no new CRA-qualified investments in 2009. TD Bank and Wells Fargo also dedicated much of this to LIHTC investments (100% for TD Bank, and 74% for Wells Fargo). Four of the commercial banks decreased their CRA-qualified investments. Capital One decreased the most by 72.4% (down from $229 million to $63.3 million), but still dedicated most of its investments to nonprofits and LIHTC. Overall, LIHTC investments by commercial banks only went up 12.54% and investments to nonprofits barely increased at all (up 2.6%).

In 2010, the commercial banks did more than their share of the community development lending. Commercial banks hold 75% of total deposits, and while they only made 70.5% of all CRA investments, they accounted for 85.5% of LIHTC investments and 80.9% of investments to nonprofits. Three commercial banks (TD Bank, Bank of America, and Capital One) invested over $54 million to nonprofits.

Five savings banks responded to this category in both 2009 and 2010, and together their CRA-qualified investments went down 20.4%. This drops to a 58.9% decrease when excluding New York Community Bank's $109 million and $125 million investments in 2010 and 2009, respectively. Three savings banks made no new CRA-qualified investments at all in 2010: Astoria, Carver, and Sovereign, which helps make the case for such locally-based analysis: Sovereign's 2010 CRA report boasts that they met their CRA-qualified investment goals by investing $249M over four years in their CRA assessment areas, yet they made no new CRA-qualified investments in New York City in 2009 and 2010, and only two in 2008 at a value of $2.3 million. Savings banks did more than their share of CRA-qualified investments, accounting for 6.56% of investments, and 22% of the number of loans originated. New York Community Bank led the industry by far; however Ridgewood dedicated more money and a larger percentage of its total investments to LIHTC.

TABLE 19

HIGHEST PERCENTAGE OF CRA-QUALIFIED INVESTMENTS TO DEPOSITS 2010 (MILLIONS)

		% of Deposits	CRA Invest. ($)	CRA Invest. (#)
Commercial				
Citibank	1	1.70%	$832.27	11
TD Bank	2	0.78%	$81.30	9
Wells Fargo	3	0.62%	$71.39	11
Savings				
NY Community Bank	1	2.16%	$109.07	24
Ridgewood	2	0.40%	$9.90	10
Apple Bank	3	0.01%	$0.36	
Wholesale				
Goldman Sachs	1	0.48%	$156.24	14
Morgan Stanley	2	0.41%	$27.00	3
Bank of NY Mellon	3	0.34%	$225.00	

TABLE 20

BIGGEST DECREASE IN CRA-QUALIFIED INVESTMENTS 2009-2010

	% Change	Description
Commercial		
Capital One	-72.40%	From $229m to $63.3m
M&T	-60.40%	From $13.7m to $5.43m
JPMorgan Chase	-50.50%	From $144m to $71.35m
Savings		
Carver	-100%	From $.12m to $0.00
Ridgewood	-50.20%	From $19.86m to $9.9m
NY Community Bank	-12.70%	From $125.0m to $109.07m

(All Wholesale Banks increased CRA-qualified investments)

Finally, wholesale banks more than doubled their CRA-qualified investments, but decreased their investments in LIHTC and investments to nonprofits. However, we must note that only three banks reported on the amount of CRA investments, and two banks reported on LIHTC and nonprofits in 2009 and 2010, so it is a small sample size. Bank of New York Mellon reported financing 2,307 units of housing with LIHTC, but did not report a dollar amount for that investment. This was the first year Morgan Stanley participated, and they ranked second of the four wholesale banks in terms of percentage of deposits dedicated to CRA-qualified investments and first of three banks in the percentage of their CRA investments to LIHTC. However, all four wholesale banks dedicated less than 1% of their deposits to CRA-qualified investments.

CITIBANK: A LEADER IN COMMUNITY REINVESTMENT IN NEW YORK CITY

In last year's "State of Bank Reinvestment in New York City", ANHD commended Citibank on the positive steps they had taken to rebuild their community development activity in New York City. This year, Citibank has continued a dramatic and impressive commitment that has made them one of the leading institutions for community development in our city. While the numbers this year are more than impressive, the story behind the numbers really shows what can happen when a bank devotes targeted resources – people and money – to good community development. In 2010, Citibank moved to #3 in our ranking, up from #4 in 2009, and dedicated one of the highest percentages of its deposits (4.2%) towards reinvestment activities.

A core part of Citibank's business is Citi Community Capital, the bank's Community Development division, with qualified, knowledgeable staff dedicated to working with government and community leaders to understand and meet local credit needs, particularly in the construction and financing of affordable housing. They dedicated over $1.04 billion in Community Development lending and $830 million in CRA- qualified investments in 2010. Included in these investments was a $209 million LIHTC investment to preserve nearly 14,500 units of housing, the majority of which is public housing owned and operated by the New York City Housing Authority (NYCHA). The deal used many different parts of the company to do such a large, complex transaction and was highly praised by HUD Secretary Shaun Donovan.

Another impressive example of Citibank's commitment is the $100 million New York Affordable Housing (NYAH) Preservation Fund they created to work with the City of New York to address the loss of affordable housing due to expiring affordable housing programs and overleveraging by predatory investors. The original goal of the Fund when it was created in 2010 was to preserve 2,000 affordable housing units over three years and for this preservation to be a part of New York City's New Housing Marketplace Plan which aims to build and preserve over 165,000 units of housing citywide by 2014.

"The financial crisis of 2008 resulted in tight constraints from regulators in 2008 and 2009 that shrank our company, including CRA lending and investments. However, because we maintained both our infrastructure and commitment to community development, we were able to aggressively reenter the community development market in 2010." said Andy Ditton, head of Citi Community Capital. "We are certainly proud of our $209 million LIHTC deal with NYCHA, but we are even prouder of the NYAH Fund that has enabled us to aggressively and creatively preserve nearly 3,500 units of at-risk affordable housing, while protecting existing tenants and contributing to a healthier environment."

Indeed, two years after the NYAH Fund's creation, the program has already surpassed its original goal by 75% and preserved just under 3,500 units of housing. NYAH has established a track record of creative transactions, including the acquisition and preservation of formerly deregulated Mitchell Lama housing developments and significantly distressed rent-stabilized assets in need of major rehabilitation. With these investments, NYAH has spearheaded an alternative path to combat "predatory private equity" transactions, which continue to threaten the affordable housing stock of New York City.

These investments certainly contributed to Citi Community Capital being ranked the top affordable housing lender by Affordable Housing Finance magazine in 2010. ANHD sees Citibank as a leader in community reinvestment and a model of many good community development practices.

MULTIFAMILY LENDING

Multifamily lending flat overall and down in lower-income neighborhoods:

- **Lending down 1.0%: From $4.12 billion in 2009 to $4.08 billion in 2010**
- **Lending in low- and moderate-income tracts down 28.3%: From $2.25 billion in 2009 to $1.61 billion in 2010**

New York City is a city of renters, with over 65% of residents renting their homes. Within the rental stock, privately owned, multifamily rental properties with five or more units represent the largest share of the City's housing stock and perhaps the most important source of our affordable housing. Approximately 44% of New Yorkers, or 3.7 million people, rent a home in a multifamily property. The demographics of these properties differ from the city as a whole; renters in multifamily buildings are much more likely to be Hispanic, to be on public assistance, and to live in poverty.

TABLE 21:
HIGHEST PERCENTAGE OF MULTIFAMILY LENDING IN LOW- AND MODERATE-INCOME (LMI) TRACTS 2010 (MILLIONS)

Commercial		% Loans in LMI ($)	Lending in LMI tracts ($)	% Loans in LMI (#)	Loans in LMI tracts (#)
Banco Popular	1	100.00%	$3.25	100.00%	1
HSBC	1	100.00%	$0.85	100.00%	2
TD Bank	1	100.00%	$23.90	100.00%	5
Bank of America	4	90.55%	$88.20	62.50%	5
Capital One	5	50.47%	$209.80	62.60%	82
Savings					
Carver	1	100.00%	$3.65	100.00%	3
Emigrant	2	72.94%	$4.60	76.47%	13
NY Community Bank	3	49.88%	$1,003.00	60.04%	302
Sovereign	4	44.46%	$39.30	54.17%	13
Dime	5	32.77%	$148.94	30.43%	63

Given this reality, the availability of responsibly-underwritten mortgages and other forms of lending are absolutely necessary to preserving and creating more of this essential housing stock. Many ANHD member groups began their work in the 1970s and 1980s as a response to "redlining" when banks refused to make loans in working-class neighborhoods of color. ANHD and our members fought to bring banks back to the table in a responsible manner in order to re-stabilize and revitalize our neighborhoods. In recent years, we have been fighting a new type of discrimination. Unlike the bank practice of redlining that locked people of color out of the housing market, we have been faced with "predatory equity" investors who make loans in communities of color, but base those loans on highly speculative underwriting that assume that low-rent paying tenants could be pushed out in order to bring in higher rent-paying tenants. These loans have indeed resulted in widespread harassment and evictions of low-income tenants. However, the underwriting model became financially unsustainable as the real estate market cooled and tenants were educated about their rights by community groups, which also fought to strengthen anti-harassment laws. This situation soon led to a new 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 faced their own pressure in these situations as well, by constraining owners to choose between making mortgage payments or neglecting basic building maintenance; predatory owners frequently opted to disregard repair needs.

Shifts in the housing and lending market – as well as diligent organizing by ANHD member groups to inform tenants in affected buildings of their legal rights - have slowed the growth of overleveraging as a purposeful business strategy, although we are concerned that it may soon reemerge.

TABLE 22

HIGHEST PERCENT CHANGE IN MULTIFAMILY LENDING IN LOW- AND MODERATE-INCOME (LMI) TRACTS FROM 2009 TO 2010 (MILLIONS)

	Lending in LMI tracts ($ amount)		Lending in LMI tracts (# loans)	
Commercial	% Change		% Change	
TD Bank	602.90%	From $3.4m to $23.9m	400.00%	From 1 to 5
JPMorgan Chase	372.60%	From $12.1m to $57.19m	180.00%	From 10 to 28
Banco Popular	170.80%	From $1.2m to $3.25m	-50.00%	From 2 to 1
Bank of America	-18.60%	From $108.3m to $88.2m	-44.40%	From 9 to 5
Capital One	-35.90%	From $327.5m to $209.8m	-21.20%	From 104 to 82
M&T	-66.50%	From $2.09m to $.7m	-50.00%	From 2 to 1
Citibank	-94.40%	From $24.7m to $1.39m	-71.40%	From 7 to 2
Wells Fargo	-97.00%	From $705m to 21.1m	-40.00%	From 5 to 3
Savings				
Carver*	1197.70%	From $0.28 to $3.65m	0.00%	From 3 to 3
Sovereign	686.00%	From $5.0m to $39.3m	550.00%	From 2 to 13
Emigrant	161.20%	From $1.76m to $4.6m	116.70%	From 6 to 13
NY Community Bank	24.10%	From $808.0m to $1003.0m	77.60%	From 170 to 302
Dime	13.10%	From $131.7m to $148.9m	6.80%	From 59 to 63
Apple Bank	-87.40%	From $24.6m to $3.1m	-63.20%	From 19 to 7
Ridgewood	-97.50%	From $91.2m to $2.3m	-93.50%	From 46 to 3
Astoria	-100%	From $1.7m to $0.0	-100%	From 3 to 0
*Carver: 2009 data doesn't include 1stQ				

Looking at the data from this past year, we are concerned that the amount loaned for multifamily housing remained basically flat (down slightly by 1.0%), and we are even more disturbed by the decrease in lending in low- and moderate-income census tracts by 28.3%.

Multifamily lending includes loans, either originations or refinancing, to individual landlords or investors of multifamily properties, such as an apartment building with five or more units. Certain types of multifamily lending also count for CRA credit as community development loans. However, given the importance of multifamily housing in the New York City rental market, we request all multifamily lending activity and separate it out for a more in-depth analysis.

The commercial banks decreased more than the industry as a whole, down by 15.4% overall and 65.7% in low- and moderate-income tracts. Banco Popular, TD Bank, and HSBC each originated all of their multifamily loans in low- and moderate-income tracts, but those only amounted to a total of eight loans. Signature originated the most multifamily loans in low- and moderate-income tracts (162). Next came Capital One with 82 loans. JPMorgan Chase also saw one of the biggest increases, from 10 to 28 loans, but this is still a very low number. Of the nine commercial banks for which we have data in 2009 and 2010, six of the banks decreased their lending in low- and moderate-income tracts. Wells Fargo barely spent 3% ($21.13 million) of their $686 million of multifamily lending in low- and moderate-income tracts in 2010, and this was a huge drop from the $705 million (77% of their loans) in 2009. Citibank saw a similar decline. We do not have year-to-year data for Signature Bank's multifamily lending, nor the total amount of their lending, but in 2010 alone they loaned the largest amount ($363 million) of all commercial banks for multifamily housing in low- and moderate-income communities.

The savings banks increased their lending for multifamily housing by 8.52% overall and by 13.27% in low- and moderate-income tracts. However, New York Community Bank is by far the largest multifamily lender of all the banks, lending $2 billion, with $1 billion in low- and moderate-income neighborhoods and this investment changes the picture of the overall savings bank industry. Excluding New York Community Bank, the remaining savings banks decreased their multifamily lending by 7.44% overall and by 21.2% in lower-income neighborhoods. New York Community Bank is also the reason why savings banks accounted for 65.65% of multifamily lending and 60.18% in low- and moderate-income tracts. We expect that percentage to rise in 2011 and 2012 as lenders reemerge.For example, in its 2011 annual report Astoria confirms that it took a two-year hiatus from multifamily lending, but considers multifamily lending a key part of its business model and resumed lending in the second half of 2011, with a focus on rent-controlled and rent-stabilized apartments in the metropolitan New York area. Thus, we anticipate better results in the years to come, and as always, encourage responsible lending that will preserve this important stock of affordable housing.

Wholesale banks typically do not engage in direct multifamily lending, preferring to invest in entities like CPC and other Community Development Financial Institutions (CDFIs). Goldman Sachs reported two multifamily loans valued at $25.84 million, and both were in low- and moderate-income tracts.

Non-Bank Actors in Multifamily Financing: Bad lending is as damaging as good lending is necessary

For the past four years, ANHD has been analyzing bank reinvestment in New York City, of which multifamily lending is a key aspect. For institutions like New York Community Bank, such lending is the major part of their business model and sets them apart as the largest multifamily lender in the City.

From our reporting, it is clear that banks citywide play a key role in financing multifamily buildings, but further research reveals other concerns in this critical market. For one thing, we only request the number and dollar amount of multifamily loans originated or refinanced by these 23 banks, and only factor in loans by the 19 savings and commercial banks. However, there are other major ways in which debt changes hands and moves to finance multifamily buildings.

One is the purchase of debt by private or public entities. Government Sponsored Enterprises (GSEs), including Fannie Mae and Freddie Mac, purchase loans for a government-backed secondary loan market that is designed to encourage reasonable and decent underwriting standards and return liquidity to the lending market. Nationwide the GSEs account for more than 60% of the total market for multifamily permanent debt[6]. In New York City, they hold a smaller, but still significant, share. Fannie Mae has the second largest multifamily portfolio (after New York Community Bank) with 2,695 buildings and close to 169,000 units. Freddie Mac is seventh on the list with 416 buildings and over 50,000 units.[7]

Another private secondary loan conduit market involves banks and investment houses that purchase loans and securitize them through Commercial Mortgage-Backed Securities (CMBS). Prior to the 2003 – 2007 lead-up to the

[6] *Ascierto, J. (2012, May/June), "Separation Anxiety" retrieved from Apartment Finance Today online: http://www.housingfinance.com/aft/articles/2012/may-june/0512-frontlines-Separation-Anxiety.htm*
[7] *Some banks also purchase loans outright. Another method that is particular to only a few states, including NY and TX, is called a "MECA" or "CEMA" (Modification, Consolidation, and Extension Agreement), which is essentially a refinance structured to avoid mortgage filing fees and taxes, but due to a quirk in the federal law, it is not HMDA-reportable; HMDA requires the original loan be satisfied in order to be reportable. However, banks can count qualified agreements towards their CRA credit if they serve LMI communities.*

current economic crisis, it was relatively unusual for loans on rent-regulated affordable housing to be bought and sold through the private CMBS market. But this changed, and private CMBS's were a significant factor contributing to the overleveraging crisis of 2003 – 2007 that affected some 100,000 affordable apartments as bank and non-bank lenders ignored appropriate underwriting, making speculative mortgages based on the assumption that the new landlord could push out the low-rent paying, rent-regulated tenants through illegal or questionable means, within a relatively short amount of time. Although this underwriting was clearly risky and speculative, the fact that the loan would then be sold through the CMBS market allowed the lender to immediately recoup the cost of the loan and transfer the long-term risk onto the investors who purchased the CMBS bonds.

Even now, a high percentage of residential loans held in private CMBSs are at-risk. According to the Mortgage Bankers Association (MBA), as of December 2010, the national delinquency rate for loans held in CMBS was at its highest since they began analyzing such investments in 1997. At the end of the 4th Quarter of 2010, the delinquency rate for CMBS loans 30+ days delinquent or in REO was 8.95%. This as compared to 4.19% for banks and thrifts (90+ days delinquent) and less than 1% for Life insurance company portfolios (60+ days delinquent) and the GSE's (also 60+ days delinquent)[8].

Measuring and Monitoring Buildings in Distress

Core to the work of ANHD and many of its members is tenant organizing, which serves to educate and empower tenants with knowledge, tools, and resources in order to preserve the city's valuable affordable housing. These tenants can then collectively hold landlords, the city, and the banks that finance their buildings accountable for properly maintaining the properties and protecting the tenants from erroneous rent increases, eviction, and harassment.

The best and most reliable source of information regarding a building's physical condition and how responsive management and landlords are to tenant needs comes from talking directly to tenants in the building. However, there are a variety of indicators ANHD and organizers citywide use to identify buildings likely to be in physical and financial distress.

The first resource comes from the Building Indicator Project (BIP) database created by ANHD member University Neighborhood Housing Program (UNHP). BIP compiles a wide range of data related to the state of multifamily buildings in four of the five boroughs of New York City, including liens, fines, and violation counts. Then, UNHP uses a combination of this data to create a formula, which derives a "BIP score" for every individual building in Manhattan, Queens, Brooklyn, and the Bronx. According to UNHP, a building is very likely to be physically and/or financially distressed if it has a BIP score greater than 800. This report uses mortgages filed over the last 20 years in the latest BIP database released in June 2012.

Table 23 lists the percentage of at-risk units in the portfolios for the top 25 lenders in the BIP database. They are considered major lenders due to the fact that they each hold over 10,000 units of multifamily housing in their portfolio of buildings acquired in the past 20 years. The banks in ANHD's study account for 14 of the 25 entities on this list, which only emphasizes their obligations as major lenders to provide sound underwriting and ensure that they are lending to responsible owners who will maintain the buildings and protect the tens of thousands of tenants who live there.

All BIP scores decreased significantly over last year. That being said, major lenders like Signature, Flushing, and Capital One are performing poorly relative to their peers. Signature has the highest percentage of at-risk units af-

[8] *Mortgage Bankers Association (2011, March) "Mortgage Delinquency Rates for Major Investor Groups, Q4 2010" retrieved online: http://www.mortgagebankers.org/files/Research/CommercialNDR/4Q10CommercialNDR.pdf*

ter mission-driven entities like the Community Preservation Corporation (CPC) and New York City's Department of Housing Preservation & Development (HPD) and Housing Development Corporation (HDC), which have larger percentages of at-risk buildings in their portfolios because of their missions to acquire distressed buildings and rehabilitate them. Capital One is not far behind with 2.15% of its portfolio at-risk of distress (1,444 units).

This list also lifts up some of the non-bank actors mentioned previously that must also be held accountable, including the GSEs and commercial banks that are the trustees and servicers of the CMBSs.

TABLE 23

FOR ENTITIES HOLDING 10,000 OR MORE UNITS: HIGHEST PERCENTAGE OF UNITS LIKELY TO BE DISTRESSED AS DETERMINED BY THEIR BEING IN BUILDINGS WITH BIP SCORES GREATER THAN OR EQUAL TO 800

Company	% Units in buildings with BIP score > 800	# Units > 800
NYC Housing Development Corporation (HDC)	13.76%	4820
NYC Dept. of Housing Preservation & Development	6.62%	5561
Community Preservation Corporation (CPC)	3.95%	546
Signature	2.83%	801
CMBS, U.S. Bank	2.69%	784
Flushing Savings	2.62%	522
Capital One	2.15%	1444
Prudential	2.10%	291
JPMorgan Chase	1.91%	1375
Citibank	1.64%	190
Freddie Mac	1.53%	777
Bank of America	1.37%	284
Wells Fargo	1.26%	235
Astoria Federal	1.21%	259
New York Community Bank	1.18%	2043
M&T	1.15%	184
Sovereign	1.10%	800
HSBC	1.00%	154
NCB	0.86%	313
Dime Savings	0.85%	326
Deutsche Bank	0.67%	141
Fannie Mae	0.32%	545
CMBS, Bank of America	0.29%	54
CMBS, Wells Fargo	0.19%	47
Apple Bank	0.03%	6

This report analyzes mortgages filed over the last 20 years in the latest BIP database released in June 2012

Looking now at the banks in our study, including CMBS's these banks manage, the lower BIP scores are again reflected (see Table 24). Signature and Valley National still have a relatively high percentage of at-risk units among commercial banks, while New York Community Bank improved significantly as a savings bank. JPMorgan Chase's CMBS portfolio has the highest percentage of at-risk units (7.36%, 580 units).

In addition to the BIP score, tenant organizers also look at indicators of physical distress. Violations classified as type B & C violations under the New York City Housing Maintenance Code are the more serious housing violations that impact residents' health and safety. Organizers generally target buildings with a high percentage of Class B & C violations issued. We considered two ratios in particular as indicators of potential physical distress: (1) a two-to-one ratio of total open B & C violations to the number of units and/or (2) a two-to-one ratio of B & C violations issued in the past two years to the number of units (See Tables 25 & 26). This would include, as examples, buildings with 100 units where 200 or more B & C violations were issued in the past two years, or a building that has 50 units and 150 open B & C violations.

The first indicator demonstrates how many B & C violations remain open, and thus not resolved, regardless of when they were issued. The second indicator, on the other hand, gives a sense of the volume of violations issued over a two-year period; it includes all B & C violations filed within the previous two years, regardless of whether or not the violation was resolved within that time frame. We believe that buildings meeting either criterion are very likely to be in physical distress, and thus higher percentages of buildings meeting either one are concerning.

TABLE 24

HIGHEST PERCENTAGE OF UNITS LIKELY TO BE DISTRESSED AS DETERMINED BY THEIR BEING IN BUILDINGS WITH BIP SCORES GREATER THAN OR EQUAL TO 800

	# Units in at-risk buildings	% of total Units in portfolio
Commercial		
Signature	801	2.83%
Valley National	126	2.79%
Capital One	1444	2.15%
JPMorgan Chase	1375	1.91%
Citibank	190	1.64%
Savings		
Ridgewood	192	3.31%
Carver	37	2.50%
Astoria Federal	259	1.21%
New York Community Bank	2043	1.18%
Sovereign	800	1.10%
CMBS's*		
CMBS, Chase	580	7.36%
CMBS, Bank of America	54	0.29%
CMBS, Deutsche Bank	19	0.29%
CMBS, Wells Fargo	47	0.19%

*Banks listed with CMBS's are almost always the Trustees of the CMBS

By both measures, Signature Bank has a large number of units in buildings that show serious signs of physical distress. Over 15%, or 4,518 units, of the housing units in Signature's portfolio are in buildings that have experienced a very high volume of B & C violations issued in the previous two years. Over 21,700 violations were issued in these 161 buildings. At the same time, 13.1% of the units in their portfolio have a 2:1 ratio of open B and C violations to units, representing 3,696 units of housing and over 12,000 violations. 6.24% of their portfolio (1,765 units) meets both criteria and this is the highest percentage of the 25 major lenders.

In addition, some advocates have raised concerns over the years that Signature's multifamily lending sometimes uses questionable underwriting standards or makes loans to bad-actor landlords without sufficient effort to hold them accountable to the needs of the tenants. In 2011, for example, Signature financed a $22 million note-sale for Alma Realty to purchase a dozen properties from a notoriously bad landlord, including four buildings in HPD's Alternative Enforcement Program (AEP) indicating they are in a high state of disrepair. According to a Real Deal article in May 2011, "Despite the poor conditions in the majority of the portfolio, the properties were sold or refinanced with a debt level about the same as before, raising the question of whether the new owner will be able to repair the violations." [9]. These numbers likely reflect that purchase and we hope Signature and Alma Realty are working to restore these buildings to a better state for the sake of the tenants and the community.

JPMorgan Chase and Capital One also raise some concerns. While their percentages of physically distressed buildings are lower than Signature, they still represent a very large number of units and violations, both issued and open. Banco Popular and Valley National remain high, but have much smaller portfolios. Among Savings banks, New York Community Bank, by far the largest multifamily lender, has improved its BIP score greatly over last year, but we are still concerned with the physical condition of their buildings. 6.2% of the housing units in its portfolio have a 2:1 ratio of B & C violations issued in the previous two years, representing over 10,700 units of housing and over 39,000 violations. And, while their percentage of buildings with a 2:1 ratio of open B & C violations to units is not in the top five, it is still at 4.58%, representing nearly 8,000 units of housing and close to 25,000 open B & C violations. Dime and Sovereign are also major multifamily lenders. Thus, while Dime's 6.5% may seem like a low percentage of units in buildings with a 2:1 ratio of open violations to units, it represents nearly 2,500 units of housing and nearly 8,500 violations. Similar with Sovereign's ratio for more recent violations issued; 4% of their units represents nearly 3,000 units of housing and close to 12,000 violations issued.

We only have the aggregate data here and, as mentioned above, we do not know the resolution of the violations issued in the past two years, but they are a significant volume in a short period of time. That indicator coupled with

[9] *http://therealdeal.com/blog/2011/05/03/bahram-hakakian-slumlord-sells-distressed-portfolio-to-queens-owner-for-22-miilion/*

TABLE 25

PHYSICAL DISTRESS INDICATOR #1: HIGHEST PERCENTAGE OF UNITS WITH A 2:1 RATIO OF ALL OPEN B & C VIOLATIONS TO UNITS

	% units	# units	# Violations
Commercial			
Signature	13.07%	3696	12102
Banco Popular	9.58%	209	1145
Capital One	9.29%	6250	23282
JPMorgan Chase	8.65%	6226	24925
Valley National	8.17%	369	2403
Savings			
Ridgewood	15.91%	924	3633
Carver	15.19%	225	1253
Emigrant	10.62%	728	3033
Astoria Federal	9.45%	2030	7886
Dime	6.47%	2480	8488
CMBS			
CMBS, Bank of NY Mellon	34.92%	404	1260
CMBS, HSBC	8.25%	34	179
CMBS, Wells Fargo	2.52%	621	2137
CMBS, Bank of America	1.21%	227	678
CMBS, Deutsche Bank	1.02%	68	658

TABLE 26

PHYSICAL DISTRESS INDICATOR #2: HIGHEST PERCENTAGE OF UNITS WITH A 2:1 RATIO OF RECENTLY ISSUED B & C VIOLATIONS TO UNITS (FILED IN THE PAST TWO YEARS)

	% units	# units	# Violations
Commercial			
Signature	15.97%	4518	21788
Capital One	6.18%	4155	16814
Valley National	5.76%	260	2061
JPMorgan Chase	5.24%	3770	16320
Banco Popular	4.95%	108	360
Savings			
Carver	13.44%	199	1030
Ridgewood	9.30%	540	2517
NY Community Bank	6.21%	10759	39182
Astoria Federal	4.90%	1053	4713
Sovereign	4.09%	2978	11790
CMBS's			
CMBS, Bank of NY Mellon	33.71%	390	1184
CMBS, HSBC	7.52%	31	88
CMBS, Wells Fargo	0.74%	183	755
CMBS, Deutsche Bank	0.51%	34	132
CMBS, Chase	0.28%	22	247

the open violation data, indicates a set of buildings likely in distress. We will be watching closely to see how they are resolved and encourage the banks to do the same with the landlords to whom they are lending to ensure they are preserving this housing and keeping it affordable.

Multifamily Lending: A Key Bank Responsibility in a City of Renters

This report generally matches the CRA reporting categories so as to get a clear understanding as to how CRA activities, including service, lending and investments, are being carried out locally in New York City, and not just at the Metropolitan Statistical Area (MSA) level.

However we do diverge from CRA in one major area. For CRA purposes, a subset of multifamily lending is also included in a bank's community development lending activity. For this report, we separate those loans out and instead analyze all multifamily lending together, and within that, the loans in low- and moderate-income tracts. We do this because of the incredible importance of multifamily housing to the New York City housing market, and in particular as the most important source of affordable housing. 65.4% of New York City residents are renters and 3.7 million of those renters (44% of the New York City population) live in a multifamily building with five or more units. 74% of these are rent regulated, which is itself a key source of affordable housing for many, especially people who have lived in their homes for many years. Given the long waiting lists for public housing and huge number of applicants for affordable housing lotteries in city projects, it is crucial to preserve any affordable units, particularly those that don't require government subsidies.

Indeed, it would be difficult for a bank to argue they are truly helping to meet the credit needs of New York City without a serious commitment to healthy lending for multifamily housing. The Furman Center featured multifamily housing in their 2010 State of the City Report that highlights the importance of this market[10]:

- 74% of multifamily rental housing is subject to rent regulation, and this percentage increases to over 83% in the Bronx and Queens.
- Rental housing in general, and multifamily rental housing in particular, is especially important to Black and Hispanic families. Homeownership rates for Blacks and Hispanics (26.3% and 15.4%, respectively) are lower than that of Whites and Asians (over 40% each).[11]
- 50% of Hispanic households live in multifamily rental housing, as compared to 37% of Black households, 36% of White households, and 31% of Asian households.
- Renters in multifamily buildings are much more likely to be Hispanic, to be on public assistance, and to live in poverty.

FIRST LOOK PROGRAMS: ENDING THE CYCLE OF SPECULATION IN DISTRESSED MULTIFAMILY BUILDINGS.

While ANHD strongly encourages lending for the critical multifamily housing stock in our city, we understand that volume alone is not enough; the loans must be underwritten based on reasonable assumptions about rental income and expenses, and made to responsible borrowers who will protect the tenants and maintain the buildings for their low- and moderate-income families.

Loans that are not responsible, often due to speculative underwriting or business dealings with bad-actor landlords, have put many buildings at risk of financial and physical distress. These loans are also unlikely to be safe and sound from a regulatory perspective. These banks have a special responsibility to deal with the distressed properties and undo the damage caused by the irresponsible loan. In these cases, the bank must use appropriate underwriting that values the loan and the building at its actual worth – based on actual income and maintenance costs – and deal with a responsible purchaser who will stabilize the affordable housing and the surrounding community.

This issue became prominent for community organizers and City officials when many of the owners of the 100,000 affordable rental units that were overleveraged during the run-up to the 2008 financial crisis began to default on their debt, causing the buildings to become physically and financially distressed. Confident that the New York City real estate market had recovered quickly after the first phase of the crisis, many lenders were able to find another round of irresponsible investors to buy either the distressed mortgage debt or the foreclosed building at prices and underwriting standards that brought the bank the highest return. Ultimately, however, these loans only kept the buildings in a path of speculative risk that undermined the affordable housing.

ANHD has advocated strongly for individual banks to participate in a "First Look" program where the banks will make available to HPD and ANHD their list of distressed mortgage debt and buildings where

[10] Been, V., Dastrup, S., Ellen, I.E., et alia (2011), State of New York City's Housing and Neighborhoods 2011" published by The Furman Center for Real Estate and Urban Policy at New York University, retrieved online: http://furmancenter.org/research/sonychan/2010-report/
[11] Been, V., Brazill, C., Dastrup, S., et alia (2010), State of New York City's Housing and Neighborhoods 2010" published by The Furman Center for Real Estate and Urban Policy at New York University, retrieved online: http://furmancenter.org/research/sonychan/2011-report/

foreclosure has been commenced and that the bank is looking to dispose of. This is an important tool for preservation purchasers and ANHD commends the banks, most notably New York Community Bank and JPMorgan Chase, that are participating in or are working towards participating in this still-developing program. After many years of attention, New York Community Bank became one of the first banks to formally participate in a First Look program that has become a model for other banks to follow. They have since made a good faith effort to ensure it is productive and successful moving forward. More recently, JPMorgan Chase has made a strong effort to explore quickly moving to enact a first look protocol due to a shared desire to preserve affordable housing. We are working with a third major bank to establish similar protocols.

While the problem of distressed, overleveraged buildings reached a peak after the economic crisis, bad underwriting is an ongoing factor in the New York City multifamily market. ANHD and our members have been also been working with HPD to fully establish a publically-funded preservation transfer program to incentivize mortgage-holding lenders to reasonably write down loans and transfer ownership to preservation-minded purchasers. New York City publically committed $750 million to the effort and has compiled a list of nonprofit and for-profit landlords with a history of preserving affordable housing which it will recommend for these deals. At the same time, HPD's affiliate Neighborhood Restore has been putting together the financing and structure for a note-sale facility that will allow the City to work with preservation purchasers, especially nonprofits, to buy at-risk mortgage debt as well as foreclosed buildings. The infrastructure that HPD has put in place is an important start, but the approach has not yet reached the scale it needs to transfer the many distressed buildings in the city to more responsible owners.

Through the First Look and preservation transfer programs, HPD and ANHD have established an orderly protocol that enables responsible purchasers the chance to acquire and preserve distressed buildings while still respecting the need of the bank to dispose of distressed assets in a timely, market-driven manner. Because nonprofit CDCs are mission-driven to preserve affordability, ANHD believes they should be considered the first option for preservation purchase deals where possible.

HOME PURCHASE LENDING

Home Purchase Lending is up significantly overall and to moderate-income borrowers, but much less so for low-income borrowers:

- **Lending up 35.2%: From $6.32 billion in 2009 to $8.55 billion in 2010**
- **Lending to moderate-income borrowers up 45.9%: From $238.89 million in 2009 to $348.48 million in 2010**
- **Lending to low-income borrowers up 4.01%: From $49.94 million in 2009 to $51.95 million in 2010**

New York City may be a city of renters, with a lower homeownership rate than most major cities, but homeownership is still very important here, both as a source of housing and as a way for families and communities to build wealth. Over 2.5 million New Yorkers (32%) own their homes. Tragically, the financial crisis destroyed much of the wealth that struggling homeowners had built up in their homes, and homeownership remains out of reach for many, particularly in low-income neighborhoods and communities of color.

Banks played a large role in the collapse of the housing market, and thus have a particular obligation to help get New Yorkers back on their feet. We firmly believe that banks, together with innovative programs and assistance by the government and nonprofit sectors, can help keep struggling New York homeowners in their homes and giving others the opportunity of homeownership at an affordable rate.

After a year of considerable decreases in home purchase lending, we were encouraged to see that credit is flowing once again to support homeownership. Home purchase lending increased by 35.21% overall. It is also important to note that, while the number of loans made to low-income and moderate-income borrowers increased at similar rates (16.3% and 18.2%, respectively), the amount loaned to low-income borrowers increased at a much lower rate than the amount loaned to moderate-income borrowers (4.01% as compared to 45.87%). On average, only around 2% of each bank's home purchase loans were made to low-income borrowers, well below the roughly 40% of New York City households that are low-income. While we recognize that at such low incomes, many people may not qualify for a loan, we would expect the percentages to be higher than this, and for banks to participate more in programs enabling homeownership at a wide range of incomes.

TABLE 27
PERCENT CHANGES IN HOME PURCHASE LENDING (MILLIONS)

	2009	2010	% Change 2009-10
Number of Home Purchase Loans	18,466	22,673	22.78%
Dollar amount of Home Purchase Loans	$6321.76	$8547.59	35.21%
Number of Home Purchase Loans to Low-income borrowers	236	279	18.22%
Dollar amount of Home Purchase Loans to Low-income borrowers	$49.94	$51.95	4.01%
Number of Home Purchase Loans to Moderate-income borrowers	1525	1774	16.33%
Dollar amount of Home Purchase Loans to Moderate-income borrowers	$238.89	$348.48	45.87%
Average percentage loaned to LMI borrowers ($)	9.41%	9.13%	-2.94%
Average percentage of loans to LMI borrowers (#)	15.39%	16.48%	7.16%

As has been proven year after year, loans made to low- and moderate-income borrowers that are facilitated by good community-based counselors result in very low default rates. "Pre-purchase home buyer counseling is a proven way to help low- and moderate-income families transition from being renters into becoming successful first-time homeowners," said Ken Inadomi, Executive Director of the New York Mortgage Coalition (NYMC), a nonprofit collaboration of financial institutions and community housing agencies. From 2000 to 2007 NYMC's lenders originated loans for over 3000 low- and moderate-income buyers, each of whom received pre-purchase counseling. "The value of our homeownership education program is self-evident – Fannie Mae's 2010 loan tracking study revealed a NYMC foreclosure rate of less than 2%. This year we are on track to close nearly 600 loans and fully expect similar results." Thus, given such success stories, and the fact that that most home purchase loans to low-income borrowers are likely accompanied by subsidies and services, we can only imagine how many more families could be served if more were invested in loans to low-income borrowers.

In 2010, the Fifth Avenue Committee completed the single largest affordable, mixed income homeownership projects in the history of Red Hook, Brooklyn. Red Hook Homes is an $18 million cooperative housing project with 60 apartments, 40 of which are set aside as affordable units to first-time homeowners. The units are affordable to a range of incomes, including families earning $35,000 per year. This project was successful despite facing unprecedented challenges which delayed the project's conversion to permanent financing and the new owners' ability to call Red Hook Homes home due to the tightening and uncertain mortgage market filled with new restrictions connected to the turmoil in the banking and mortgage finance industry. Bank of America provided the majority of end-loans to low-and moderate-income borrowers. Capital One and HSBC also provided end loans to low- and moderate-income borrowers for this project. Today all the affordable units, and most of the market-rate units, are sold and occupied.

The Federal Home Loan Bank of New York offers a "First Home Club" that provides up to $7,500 in grants for first-time low- and moderate-income homebuyers who meet certain requirements. Seven of the banks in our study participate in this program.

TABLE 28
HIGHEST PERCENTAGE OF HOME PURCHASE LOANS (HPL) TO LOW- AND MODERATE-INCOME (LMI) BORROWERS 2010 (MILLIONS)

		% of LMI Loans ($)	HPL's to LMI (#)	HPL's to LMI ($)	% of LMI loans (#)
Commercial					
Capital One	1	21.05%	15	$2.80	40.54%
Citibank	2	13.90%	512	$151.18	19.18%
HSBC	3	12.51%	519	$166.10	21.23%
Savings					
Carver	1	40.87%	8	$1.63	50.00%
NY Community Bank	2	7.15%	18	$2.55	15.5%
Sovereign	3	6.85%	59	$8.90	14.43%

Commercial banks performed better than the industry as a whole in terms of lending to low- and moderate-income borrowers. They increased their lending by 40% overall, and by 44.26% and 58.68% to low-income and moderate-income borrowers, respectively. Savings banks, on the other hand, decreased their home purchase lending overall by 7.51% and by 84% to low-income borrowers. Wholesale banks do not engage in direct home purchase lending. Of the 18 banks reporting home purchase loans in 2010, and the 16 that reported their loans to low- and moderate-income borrowers, we see the changing landscape among commercial and savings banks. Savings banks have historically been known for providing direct services to consumers, of which home purchase loans are a big piece. Yet, in 2010, they originated only 6% of home purchase loans, as compared to the 94% originated by commercial banks. Similarly, they originated barely over 3% of the home loans to low- and moderate-income borrowers. This is roughly proportional to, or below, their 5.8% share of deposits excluding wholesale banks which don't do home purchase lending.

The issue of how banks deal with distressed home loans is also critical, especially at this moment of economic crisis. HAMP is one of the key government programs designed to help struggling homeowners modify their mortgages to achieve a more manageable monthly payment. Five banks reported on their HAMP activity and they reported a wide range of percentages of permanent modifications granted. 100% of Sovereign's 26 eligible loans became permanent, while only 10% of Bank of America's 16,756 eligible loans did.

TABLE 29
LARGEST CHANGES IN PERCENTAGE OF LOANS TO LOW- AND MODERATE-INCOME BORROWERS 2009-10 (MILLIONS)

		% of Loans to LMI Borrowers	All Home Purchase Loans ($)	% of LMI Loans ($)	HPL's to LMI ($)	# loans to LMI	% of LMI Loans ($)	HPL's to LMI ($)	# HPL's to LMI
Commercial		% Change 2009-10		2010			2009		
Capital One	1	460.4%	-14.7%	21.05%	$2.80	15	3.76%	$0.59	11
Banco Popular	2	427.3%	38.9%	9.96%	$0.25	1	1.89%	$0.03	1
Citibank	3	220.2%	2.6%	13.90%	$151.18	512	4.34%	$46.02	388
Savings				2010			2009		
Dime	1	253.80%	-65.13%	5.90%	$0.10	1	1.67%	$0.08	1
Astoria	2	-2.6%	0.7%	2.57%	$4.57	33	2.64%	$4.66	37
Sovereign	3	-26.1%	20.4%	6.85%	$8.90	59	9.26%	$10.00	54

TABLE 30

PERCENTAGE OF ELIGIBLE HAMP MODIFICATIONS GRANTED PERMANENT MODIFICATION 2010

		% of Trial Mods granted Perm. Mod	Eligible for Perm HAMP (#)	HAMP Perm Modifications (#)
Sovereign	1	100.00%	26	26
M&T	2	89.47%	19	17
JPMorgan Chase	3	50.00%		
Wells Fargo	4	30.76%	2175	669
Bank of America	5	10.54%	16756	1,766

Most of the savings banks don't participate in HAMP, and some have a combination of HAMP and proprietary loan modification programs. The chart below illustrates these success rates.

ANHD only asks banks for data on newly originated home purchase loans for 1-4 family homes and some data on loan modification, the latter of which has been very hard to come by. We do not ask for information regarding racial breakdown, refinance loans, nor higher-cost loans, all of which are other indicators of the type and quality of lending and their impact on communities. The foreclosure crisis has had a devastating impact on communities in New York City, stripping wealth from low-income people and communities of color unlike anything we've seen in decades.

While the increase in lending is encouraging, it is very much tempered by the many practices that continue to strip wealth from often-marginalized communities. From ANHD's partners and members that offer housing counseling, including mortgage and foreclosure assistance, we hear story after story of the difficulties homeowners continue to face in getting loan modifications. It is commonly known among housing foreclosure counselors the barriers many servicers put up that forestall loan modifications, including repeatedly asking for additional paperwork, losing paperwork, and failing to provide qualified consistent staff to work with distressed homeowners.

TABLE 31

PERCENTAGE OF ELIGIBLE NON-HAMP (PROPRIETARY) PERMANENT LOAN MODIFICATIONS GRANTED (2010)

		Perm Mods as Perc. of Eligible (%)	# Eligible for Perm Mod	# Perm Mods Granted
Capital One	1	100.00%	2	2
NY Community Bank	1	100.00%	12	12
Sovereign	2	100.00%	42	42
Wells Fargo	2	75.70%	1908	1444
M&T	3	54.72%	87	48
Bank of America	4	17.20%	18894	3249
Banco Popular	5	0.00%	2	0
TD Bank	5	0.00%	0	0

As with multifamily lending, volume alone doesn't tell the whole story. Publically available HMDA data helps us round out our analysis, particularly in the racial breakdown of home purchase and refinance loans. The charts below show the lending trends for all 19 commercial and savings banks and also individually by bank, with the banks making larger volumes of loans listed first. Whites make up 33% of the New York City population, as compared to Blacks and Latinos which together make up 51.4%. Yet, the 19 banks made nearly half of their loans (47.91%) to Whites as compared to 13.84% to Blacks and Latinos (20.20% of loans were unclassified). Asians make up 12.6% of the New York City population and most banks made a fairly representative sample of their loans to this population. They were very underrepresented by New York Community Bank, and more heavily represented at HSBC, which of the major lenders, was the only bank that did not make more than 33% of its loans to White borrowers.

Seven of the major lenders made over half of their loans to White borrowers. Only M&T made a representative percentage of its loans to Black borrowers and not one made even close to the share of the Latino population. Citibank had one of the worst disparities among commercial banks, with 54.93% of its loans to White borrowers and 13% to Blacks and Latinos. Wells Fargo, by far the largest home mortgage lender in the city, made 50.07% of its loans to Whites, in contrast with 13.1% to Black and Latino borrowers. HSBC made the vast majority (over 71%) of its loans to Asian and White borrowers, and less than 9% to Black and Latino borrowers. Sovereign and Astoria were the biggest lenders among the savings banks and their disparities are even worse. Both made more than 63% of their loans to White borrowers. Astoria made just over 5% of their loans to Black and Latino borrowers, while Sovereign made 12.68% to Black and Latino borrowers.

The disparities actually seemed to lessen among low- and moderate-income loans, but still exist at meaningful levels within individual banks. Overall, 32.73% of low- and moderate-income loans went to White borrowers, which is close to their share of the population. However, a much larger share went to Asian borrowers (24.57%) and a smaller share (31.28%) to Black and Latino borrowers. Wells Fargo made the highest percentage to White borrowers at 42.58%, with just over 20% to Black and Latino borrowers. Citibank, on the other hand, made a fairer distribution of its loans to low- and moderate-income borrowers, with 30.43% to White borrowers and 43.09% to Black and Latino borrowers. M&T actually made more loans to Black low- and moderate-income borrowers than White. Among savings banks, Astoria and Sovereign continue to demonstrate racial disparities. Astoria made no loans to Black low- and moderate-income borrowers and only one to a Latino borrower.

TABLE 32

RACIAL BREAKDOWN OF ALL HOME PURCHASE LOANS ORIGINATED BY EACH BANK AND THEIR SUBSIDIARIES FOR 1-4 FAMILY HOMES

	Asian	Black	White	Latino	Other
Commercial	%	%	%	%	%
Citibank	12.50%	7.59%	54.93%	5.40%	19.58%
TD Bank	15.76%	3.69%	50.74%	5.91%	23.89%
Wells Fargo	17.06%	6.24%	50.07%	6.86%	19.77%
JPMorgan Chase	17.66%	9.33%	49.96%	10.72%	12.34%
Bank of America	13.62%	7.11%	42.92%	6.57%	29.78%
M&T	14.69%	23.13%	35.00%	11.25%	15.94%
HSBC	43.87%	4.45%	27.78%	4.34%	19.57%
Capital One*	13.51%	10.81%	40.54%	10.81%	24.32%
Valley National*	11.76%	0.00%	58.82%	5.88%	23.53%
Signature*	9.09%	0.00%	54.55%	0.00%	36.36%
Banco Popular*	0.00%	22.22%	22.22%	55.56%	0.00%
Savings					
Ridgewood	13.68%	2.56%	72.65%	0.85%	10.26%
Astoria	10.07%	2.16%	65.11%	2.88%	19.78%
NY Community Bank	5.17%	6.03%	63.79%	7.76%	17.24%
Sovereign	13.40%	5.02%	63.64%	7.66%	10.29%
Emigrant	29.03%	5.16%	42.58%	7.10%	16.13%
Apple*	9.76%	2.44%	63.41%	0.00%	24.39%
Dime*	33.33%	0.00%	33.33%	0.00%	33.33%
Carver*	0.00%	50.00%	25.00%	0.00%	25.00%
Total	18.04%	6.97%	47.91%	6.87%	20.20%

*Originated fewer than 100 loans and are listed below the banks with the larger volumes

For some struggling homeowners who don't qualify for loan modifications, refinance loans are another tool available to lower their monthly payments and stay in their homes. As a standard bank product with the potential to lower payments, refinances should be made available to all homeowners who qualify, regardless of whether or not they are at risk of foreclosure. Communities of color were hardest hit by the foreclosure crisis, and thus in much greater need of refinance. Thus it is concerning that the racial disparities among refinance loans are even starker. Among the 19 commercial and savings banks together, 59.62% of loans were to white borrowers, 9.18% to Asians, and just over 10% to Blacks and Latinos (again, 20.45% were unclassified). The chart below shows refinance loans for all the banks in this study in 2010. M&T made the most loans to white borrowers (69.80%), but Citibank again showed the biggest disparity with 60% of refinance loans to Whites and only 6.91% to Blacks and Latinos. Wells Fargo made 58.64% of its refinance loans to Whites and only 11.9% to Blacks and Latinos. Asians were underrepresented in all banks in refinance loans, except for HSBC and Emigrant. Astoria and Sovereign again dominate the savings banks market. Astoria made 66.55% of its refinance loans to white borrowers as compared to 6.21% to Blacks and Latinos, and 4.83% to Asians. Sovereign wasn't much better.

TABLE 33

RACIAL BREAKDOWN OF ALL HOME REFINANCE LOANS ORIGINATED BY EACH BANK AND THEIR SUBSIDIARIES FOR 1-4 FAMILY HOMES

	Asian	Black	White	Latino	Other
Commercial	%	%	%	%	%
M&T	6.04%	11.41%	69.80%	5.37%	7.38%
TD Bank	11.63%	4.92%	65.77%	4.47%	13.20%
Chase	10.56%	5.82%	64.20%	5.32%	14.10%
Citibank	6.72%	2.81%	59.97%	4.10%	26.40%
Wells Fargo	9.37%	5.69%	58.64%	6.32%	19.98%
Bank of America	7.73%	8.64%	52.48%	5.01%	26.13%
HSBC	20.59%	4.93%	47.47%	3.21%	23.80%
Capital One*	5.77%	13.46%	53.85%	9.62%	17.31%
Valley National*	26.92%	1.92%	48.08%	15.38%	7.69%
Banco Popular*	4.76%	14.29%	23.81%	45.24%	11.90%
Signature*	0.00%	0.00%	83.33%	8.33%	8.33%
Savings					
Sovereign	3.38%	6.28%	75.85%	5.80%	8.70%
Astoria	4.83%	2.24%	66.55%	3.97%	22.41%
NY Community Bank	6.67%	7.50%	60.00%	3.33%	22.50%
Emigrant	12.59%	8.15%	52.59%	7.41%	19.26%
Ridgewood	2.53%	2.53%	77.22%	2.53%	15.19%
Apple*	0.00%	0.00%	89.74%	0.00%	10.26%
Dime*	0.00%	9.09%	36.36%	9.09%	45.45%
Carver*	0.00%	70.00%	20.00%	10.00%	0.00%
Total	9.18%	5.46%	59.62%	5.29%	20.45%

*Originated fewer than 100 loans and are listed below the banks with the larger volumes

PHILANTHROPY

Philanthropy up 51.6% in New York City: From $40.09 million in 2009 to $60.78 million in 2010

Philanthropy in the form of CRA-eligible grants increased 52% for all 17 banks reporting in both years, an increase almost entirely driven by Goldman Sachs, which multiplied its philanthropic giving by 667%, from $3 million in 2009 to $23.02 million in 2010. Excluding Goldman Sachs, the remaining 16 banks collectively increased their philanthropy by only 1.78%. Similarly, grants to neighborhood based organizations increased slightly by 3.8%, but excluding Goldman Sachs, they went down 33%. The only other wholesale bank reporting in both years was Deutsche Bank, which decreased giving by 7.1%, representing a smaller percentage of its deposits than last year. However, despite this decrease, we want to recognize the impact of Deutsche Bank's Working Capital and SHARE programs, which demonstrate a particularly innovative, effective strategy that helps Community Development Corporations in the initial stages of their development process, thus enabling them to leverage the capital they need in order to more quickly build new affordable housing (see callout box).

While the dollar commitment by Goldman Sachs is impressive, ANHD notes that Goldman Sachs' grantmaking does not follow many of the best practices for effective community development philanthropy. ANHD strongly believes that the most effective philanthropic programs: 1) work closely with the nonprofit sector, 2) are accessible through an RFP process, and 3) are highly intentional, having a specific theory and goal underlying the grantmaking. These principles give philanthropy an impact on community development beyond just the dollar amount.

Commercial banks increased giving by 4.84%. Wells Fargo, Capital One, and Banco Popular all significantly increased their giving, but we were disappointed to see that at the same time, Wells Fargo's philanthropy as a percentage of deposits decreased 37% (from 0.021% to 0.013%). Banco Popular also greatly increased its philanthropy over 2009, but at $80,000, they still dedicate the lowest percentage of their deposits (.004%) to philanthropy. Only two commercial banks decreased their philanthropic giving; Citibank decreased by 35.1% from $9.6 million to $6.23 million, followed by TD Bank which decreased 21.4% from $1.4 million to $1.1 million.

Savings banks decreased their giving by 16%. Of the six banks that responded in both years, only Sovereign bank increased its giving from 2009, up 65% from $130,000 to $215,000. The remaining five banks that reported each year all decreased, with Astoria and Carver down 62.4% and 51.9%, respectively.

Industry-wide, eight banks dedicate less than 0.01% of their deposits to philanthropy and no bank gives even close to even 1/10th of 1% of their deposits.

DEUTSCHE BANK'S WORKING CAPITAL AND SHARE PROGRAMS: A MODEL OF TARGETED, EFFECTIVE PHILANTHROPY

Nonprofit Community Development Corporations (CDCs) around New York City have long appreciated the impact of Deutsche Bank's Working Capital and SHARE philanthropic programs. In this year's State of Bank Reinvestment Report, we would like to acknowledge these programs for their innovation and effectiveness. It is our belief that the most effective philanthropic programs (1) work closely with the non-profit sector, (2) are accessible through an RFP process, and (3) are highly intentional, having a specific theory and goal underlying the grantmaking. Deutsche Bank's programs represent a model of such best practices.

Deutsche Bank recognizes the value of CDCs, and their unique and continuing role in building affordable housing and civic infrastructure in their communities. Through its Working Capital and SHARE programs, Deutsche Bank has carved an important niche to support them at critical moments in their development cycle, enabling projects to move forward that might not otherwise have happened. The programs, launched in 1994 and 1998, were designed to assist CDCs in their efforts to preserve and rebuild neighborhoods struggling with neglect, disinvestment, and the challenges of a stagnant or deteriorating real estate market. Funds have supported neighborhood-level change through the development of affordable housing, supportive housing, community centers, commercial facilities, and innovative planning and development partnerships.

These programs were created by Gary Hattem, President of the Deutsche Bank Americas Foundation. Mr. Hattem came from the CDC movement and has significant experience in community development.

A recent study conducted by the NYU Wagner School documented the clear impact of Deutsche Bank's innovative grantmaking programs. Since 2000, the $16.2 million invested in Working Capital and SHARE has yielded $1.4 billion in public and private financing to stabilize neighborhoods.

Based on 18 years of experience, Deutsche Bank has built the program based on three principles:

1. Fill a unique need: Deutsche Bank partners with organizations that have a clear plan to build and finance affordable housing or community development projects and the capacity to carry them out. The funds then serve as a catalyst to get the project going and to leverage more resources to see it to completion. Ultimately this helps to create durable, lasting resources to support healthy communities.

2. Provide Ongoing Support: Projects of these sizes can take years to develop, and as such, three years of sustained funding gives organizations the time they need to do it well. Typically organizations receive $75,000 per year for three years in the form of grants and zero-interest loans. After three years, awardees have an additional three years to pay back the loan portion of the funds, which then gets recirculated to future Working Capital grantees.

3. Engage with Grantees: Deutsche Bank has discovered the mutual benefits to engaging with grantees throughout their grant cycle. From the bank's perspective, they learn from the expertise of the grantees to gain a better understanding of the sector and the context in which it operates, thus enabling them to improve upon the program year to year. Similarly, Deutsche Bank's expertise can be a great resource to grantees. For example, as an experienced lender, Deutsche Bank views the zero-interest loan as an important mechanism to give CDCs a better understanding of what makes for a viable financeable transaction. As such, they "underwrite" the deals in a way that is instructive for the long-term sustainability of what the CDC's are trying to accomplish. Such mutual learning and support strengthens the sector overall.

In 2010, 18 banks reported giving a total of $64.48 million in CRA-eligible grants. Commercial banks accounted for 47.7% of philanthropic dollars granted, which is much less than their share of deposits. Likewise, savings banks accounted for only 2.8% of philanthropic dollars granted to New York City organizations. The three wholesale banks that reported in this category gave almost half (49.5%) of the philanthropic dollars in New York City, well over their 20% share of deposits. They also accounted for over 20% of the number of grants awarded.

While there are no standard benchmarks for bank philanthropic giving related to a bank's profits or deposit base, the National Committee for Responsive Philanthropy (NCRP) offers guidance to private foundations with a set of criteria for effective grantmaking for social justice. The recommendations include paying out at least 6% of a foundation's assets in grants; creating a culture of accountability and transparency that is shaped by a diverse board that represents the community served and is committed to ethical policies and practices; committing to make grants that benefit low- and moderate-income communities, including supporting advocacy, organizing, and civic engagement to promote equity, opportunity and justice in our society; and that at least half of its grants are multi-year grants and half are for general operating support, which offers the greatest flexibility for organizations. According to NCRP's report detailing these criteria and the foundations that meet them, only two bank foundations – Bank of America and Citibank – met any of these criteria and none have endorsed them yet[12].

TABLE 34
HIGHEST PERCENTAGE OF DEPOSITS FOR PHILANTHROPY IN NYC 2010 (MILLIONS)

	Rank	% of Deposits	Amount in Grants	# of Grants
Commercial	2010			
M&T	1	0.037%	$0.72	107
Capital One	2	0.022%	$3.84	214
Wells Fargo	3	0.013%	$1.52	43
Savings				
NY Community Bank	1	0.023%	$1.18	
Carver	2	0.013%	$0.06	43
Ridgewood Savings	3	0.004%	$0.11	93
Wholesale				
Goldman Sachs	1	0.071%	$23.02	62
Morgan Stanley	2	0.057%	$3.70	146
Deutsche	3	0.029%	$5.20	107

[12] *Jagpal, N. (2009) "Criteria for Philanthropy at Its Best: Benchmarks to Assess and Enhance Grantmaker Impact," published by the National Committee for Responsive Philanthropy: http://ncrp.org/paib*

M&T, Goldman Sachs and Morgan Stanley lead the way in percentage of deposits to grantmaking. M&T is widely recognized for its grantmaking that supports organizing and justice. Their program is transparent, consistent, and can be used for general operating support, which is of utmost importance to community organizations. Capital One has also been recognized for its commitment to supporting neighborhood-based organizations as well as organizing and advocacy work.

Anecdotally, ANHD members reported feeling the pinch as bank funders pulled back their giving. This correlates with the fact that while grants to neighborhood-based organizations increased very slightly (3.8%), giving to city-wide organizations more than quadrupled. While ANHD applauds the increase in giving, we encourage banks to dedicate a larger portion of their grantmaking for local, neighborhood based organizations, many of which are long-rooted in the neighborhoods they serve and best able to meet the needs of their individual communities.

SMALL BUSINESS LENDING

New York City ranks second, behind Los Angeles, in the number of small businesses. With over 190,445 small businesses, this sector represents a key source of employment for New Yorkers and revenue for the city[13]. Small businesses are particularly important to immigrant New Yorkers who make up over 36% of the New York City population, 46% of the labor force, and 48% of all business owners. Among small businesses owners in the city, immigrants make up 84% of small grocery store owners and over 60% each of restaurant owners, clothing store owners, and the construction trade[14]. The self-employment rate for immigrants exceeds that of native-born New Yorkers in all boroughs except Manhattan[15].

This is the first year ANHD has requested small business lending information. We received information from 14 of the 18 commercial and savings banks we surveyed, and supplemented overall lending information from other sources, but could not do so for data related to the income of neighborhoods. Wholesale banks do not lend directly to small businesses.

Given the size of commercial banks, and their specialty in serving companies, as expected they made a much larger share of the small business loans. Savings banks made 5.3% of the small business loans in New York City, roughly proportional to their share of deposits without wholesale banks. Commercial banks made 95% of loans overall and very close to that in low- and moderate-income neighborhoods.

TABLE 35
TOP SMALL BUSINESS LENDERS NYC 2010 (MILLIONS)

	Small Business Loans ($)	Small Business Loans (#)
Commercial		
HSBC	$630.08	7428
JPMorgan Chase	$456.13	2851
Bank of America	$226.10	3651
Savings		
NY Community Bank	$46.39	1656
Sovereign	$45.20	362
Astoria	$7.65	139

HSBC, JPMorgan Chase, and Bank of America were the top three small business lenders in New York City, but Citibank, Wells Fargo, and Capital One also made a very large number of loans. Citibank made by far the largest number of small business loans, but ranked fourth in the amount loaned, indicating they gave smaller loans to a larger number of businesses. Similarly, Capital One ranked #4 in the total number of loans to small businesses, but seventh in the amount loaned.

[13] *http://mycrains.crainsnewyork.com/cityfacts/2011/small-business/number-of-small-businesses*
[14] *Kallick, D. D. (2012, June) "Immigrant Small Business Owners" published by the Fiscal Policy Institute, retrieved from: http://fiscalpolicy.org/wp-content/uploads/2012/04/FPI_Release_ImmigrantsAreHalfOfSmallBizOwnersNYC_20111003.pdf*
[15] *Crain's New York Business, "Small Business 2011: Immigrant Entrepreneurship Thrives in NYC", retrieved online: http://mycrains.crainsnewyork.com/cityfacts/2011/small-business/immigrant-entrepreneurship-thrives-in-nyc*

TABLE 36

HIGHEST PERCENTAGE OF SMALL BUSINESS LOANS IN LOW- AND MODERATE-INCOME (LMI) NEIGHBORHOODS 2010 (MILLIONS)

		% Loans in LMI tracts ($)	Small Bus. Loans ($)	Loans in LMI tracts ($)	# small bus. Loans in LMI tracts
Commercial					
Banco Popular	1	46.23%	$7.14	$3.30	41
Capital One	2	32.77%	$35.70	$11.70	934
Bank of America	3	22.95%	$226.10	$51.90	909
Savings					
Carver	1	76.92%	$1.30	$1.00	1
NY Community Bank	2	26.04%	$46.39	$12.08	560
Sovereign	3	23.45%	$45.20	$10.60	73

Of the top three lenders overall, only Bank of America also made the top three in percentage of loans in low- and moderate-income census tracts. Banco Popular and Capital One were ranked top two in that category, with Banco Popular making nearly half of their small business loans to low- and moderate-income communities. JPMorgan Chase and HSBC made just over 20% of their loans in low- and moderate-income communities.

New York Community Bank led the way among savings banks, making the most small businesse loans, and ranking second in the percentage of loans in low- and moderate-income communities. However, it should be noted that the number one bank in that category was Carver, which made only two small business loans, with the larger of the two to a business in a low-income neighborhood. Astoria and Ridgewood banks do not provide loans to small businesses.

We will be interested to see how banks perform in 2011. According to the Small Business Administration, small business lending nationwide declined considerably from 2010 to 2011. They also noted a decline in CRA-reported lending between 2009 and 2010. In 2010, 774 banks reported 4.3 million loans (loans less than $1 million each) totaling $178.8 versus 2009 when 799 banks reported 6.2 million loans totaling $205.7 billion.[16]

[16] *Williams, V. (2012, July), Small Business Lending in the United States 2010-2011, published by the Office of Advocacy, U.S. Small Business Administration. Retrieved from: http://www.sba.gov/advocacy/7540/173967*

PART III

OVERALL RANKINGS

ANHD ranks New York City's banks in an attempt to demonstrate which banks most consistently strive to meet our community's credit needs, but not to characterize them as either "good" or "bad." Because we are analyzing performance at a moment in time, the rankings are meant to provide a snapshot of how well each of the city's banks helped meet the credit needs of low- and moderate-income households and neighborhoods compared to their peers in 2010. As mentioned above, ANHD compiled data on 64 different indices related to community reinvestment this year, including branching, staffing, multifamily lending, community development lending, CRA-qualified investments, home purchase lending, small business lending, and philanthropy. The rankings are based on seventeen indicators that represent core reinvestment activities and those areas where the most data was provided by the banks. As mentioned above in more detail, this year we created a separate indicator in our ranking that factors in the total reinvestment activity of each bank, but only if it reported on all eight (or three for wholesale banks) key reinvestment activities. Each year, we further refine the formula to best incorporate the totality of the reinvestment spectrum.

As the accompanying chart and narrative illustrate, while there are a few banks that rank consistently near the bottom and the the top, most banks seem to excel in some areas and lag in others. It is our hope that these rankings, by assessing each institution compared to its peers, encourage banks to commit to year-over-year improvement. It is our expectation that banks are committed to expanding the volume of these activities on a year-over-year basis and improving the marketing and delivery mechanisms to ensure low- and moderate-income communities are well served. Out of the 22 banks for which we analyzed data in both 2009 and 2010, every one retrenched in at least one area, and everyone improved in others, with some standing out as demonstrating a real commitment to reinvestment. The data for all 23 banks, including their increases and reductions, are highlighted in Appendix A.

ANHD does not explicitly account for year-over-year performance in these rankings, but those increases and decreases are explored throughout the report, and if a particular institution experienced a large change, it is likely that their ranking for that indicator also changed. However, as last year demonstrated, changes in ranking also depend on relative rates of increases and decreases.

ANHD feels strongly that it is important to provide incentives that encourage banks to better serve working class populations as well as think creatively about how to leverage their resources to maximize public benefit. We are pleased by all the banks that respond to this survey and engage in the process, because it demonstrates that they too see this as an effective tool to evaluate their CRA activity, demonstrate effectiveness in certain areas, and make meaningful improvements in others.

There are a few banks that have maintained a steady responsiveness to local credit and investment needs. Both M&T and Capital One have consistently ranked at the top of the commercial banks. While very different in size and scope, both have made a strong commitment to reinvesting in NYC communities. They rank top two in percentage of philanthropy to deposits as well as in their reinvestment index, which compares total dollars reinvested to their deposits. Capital One dropped to #2 from #1, due in part to their decrease in community development lending, multifamily lending, and CRA-qualified investments. But, we recognize Capital One for devoting a large percentage of its CRA-qualified investments to nonprofit developers. We also appreciate that while Capital One ranks in the middle of the spectrum on its percentage of multifamily loans in low- and moderate-income tracts, the bank is clearly committed to multifamily housing, investing more than most of their peers in this important stock of housing. This is the first year ANHD has included small business lending and Capital One has emerged as a strong lender, lending the 2nd highest percentage of its small business loans to businesses in low- and moderate-income tracts, and investing over $35 million overall.

For the fourth year in a row, M&T Bank has ranked #1 among commercial banks for the percentage of deposits dedicated to philanthropy. And, while not reflected in the ranking, they are particularly noted for their commitment to general operating funds, which are always of particular value to the health of nonprofits. This year, they dropped in their ranking in percentage of home purchase loans to low- and moderate-income borrowers. But they ranked very strong in percentage of community development lending to deposits and to affordable housing, as well as their overall reinvestment index. M&T continues to rank low in terms of the percentage of branches located in low- and moderate-income tracts. Indeed, the only reason its percentage of branches in low- and moderate-income neighborhoods increased was because one non-low- and moderate-income branch closed. The bank has only two branches in low- and moderate-income neighborhoods (1 each in low- and moderate-income neighborhoods).

Citibank has reasserted itself as a leader in community development and bank reinvestment among commercial banks and across the banking industry. As a result, Citibank broke into the top three this year among the commercial banks. Citibank made great strides in key areas of reinvestment that benefit New York City communities, including an increase in community development staff to 41, with 21 located in the city. Citibank invested nearly $2 billion collectively in Community Development lending and CRA-qualified investments. As one of the Big Four banks, it is a major factor in home purchase and small business lending, and ranks #2 in percentage of home purchase loans to low- and moderate-income borrowers. However, it ranks lower than its peers in small business loans in low- and moderate-income tracts and clearly

TABLE 37
RANKING OF COMMERCIAL BANKS

2010		2009	
1	M&T	1	Capital One
2	Capital One	2	Banco Popular
3	Citibank	3	M&T
4	Banco Popular	4	Citibank
4	TD Bank	5	JPMorgan Chase
6	Bank of America	6	Wells Fargo
7	Wells Fargo	7	HSBC
8	HSBC	8	Bank of America
9	Signature Bank*	9	TD Bank
10	JPMorgan Chase	10	Valley National Bank
11	Valley National Bank		

* Signature was previously misclassified as a Savings Bank (ranked #8 in 2009). Signature is actually a State-charted Commercial Bank that is not a member of the Federal Reserve System, and thus regulated by the FDIC.

TABLE 38
RANKING OF SAVINGS BANKS

2010		2009	
1	Carver Federal Savings Bank	1	Carver Federal Savings Bank
2	New York Community Bank	2	New York Community Bank
3	Sovereign Bank	3	Ridgewood Savings Bank
4	Ridgewood Savings Bank	4	Sovereign Bank
5	Emigrant Savings Bank	4	Apple Bank for Savings
6	Apple Bank for Savings	6	Emigrant Savings Bank
7	Dime Savings Bank of Williamsburgh	6	Astoria Federal Savings Bank
8	Astoria Federal Savings Bank		

*Carver's #1 ranking is due more to the nature of our formula than the quality of their activities. They have a very low deposit base, very low volume of activity, and a high percentage of that volume went to nonprofits and low- or moderate-income communities. While in most cases, the formula provides the right balance in order to rank larger banks against smaller ones, none exhibit all three characteristics like Carver does.

TABLE 39
RANKING OF WHOLESALE BANKS

2010		2009	
1	Morgan Stanley*	1	Deutsche Bank
2	Goldman Sachs	2	Goldman Sachs
3	Deutsche Bank	3	Bank of New York Mellon
4	Bank of New York Mellon		

* The Morgan Stanley affiliate newly covered by the CRA, Morgan Stanley Private Bank, N.A., commenced operations, in July 2010

does not have a strategy to invest in private multifamily housing as it only made eight multifamily loans, with two in low- and moderate-income tracts.

TD Bank moved up considerably from #9 to #4 in 2010. This is a direct result of the fact that the bank reentered the reinvestment market. The bank ranked lowest in percentage of community development lending to deposits, but this is still an improvement after 2009 when it didn't make any community development loans. The bank ranked higher in related categories by choosing to make all of these loans to nonprofits, and over half for affordable housing. TD Bank also greatly increased its CRA-qualified investments, ranking #2 in the percentage of investments to deposits. However, it still ranks very low in percentage of branches in low- and moderate-income communities and home purchase loans to low- and moderate-income borrowers.

JPMorgan Chase dropped from #5 to #10 due in part to a sharp drop in CRA-qualified investments. But the lower ranking also reflects increases that lagged its peers, such as in community development lending where the bank increased only 5% as opposed to the much larger increases at M&T, Citibank, and Bank of America. JPMorgan Chase ranked #8 in percentage of community development lending to deposits and also dropped in ranking in the percentage of home purchase loans to low- and moderate-income borrowers. JPMorgan Chase continues to rank high in percentage of branches in low-income neighborhoods.

We must note that Signature was misclassified in previous reports as a savings bank. Signature is actually a state-charted commercial bank that is not a member of the Federal Reserve System, and thus regulated by the FDIC. We corrected that this year, but their ranking didn't improve much in either category. As with last year, Signature ranked high in several categories, including staffing in New York City, community development lending, and the percentage of CRA-qualified investments to nonprofits, but they provided very little data once again, and the remaining was not as positive, particularly in the percentage of branches in low- and moderate-income communities. Signature was ranked #8 among savings banks in 2009 and ranked #9 among commercial banks in 2010.

For the second year in a row, Carver Savings Bank ranked #1 overall among the savings banks. ANHD recognizes Carver's unique history and importance in lending and providing banking services to historically marginalized communities, and its role in rebuilding Harlem. However, we must also recognize that in actuality Carver does very little community investment and lending. Their high ranking is due to the nature of our formula with respect to their combination of a very low deposit base, very low volume of activity, and then a high percentage of that volume to nonprofits and low- or moderate-income communities. While in most cases, the formula provides the right balance in order to rank larger banks against smaller ones, none exhibit all three characteristics like Carver does. So, while we recognize Carver for investing its low volume in nonprofits and lower-income communities, we encourage them to increase that volume greatly if they are to have a real impact on the communities they are mission-driven to serve.

New York Community Bank showed a marked improvement over last year. For example, the percentage of distressed buildings in their portfolio has dramatically decreased, making their huge investment in multifamily housing much more meaningful. But we say that with some caution as they still hold a large percentage of physically distressed buildings, as assessed by the large number of open B & C violations in many of the buildings in their portfolio. The bank also invested more than any other savings bank in Community Development Lending, CRA-qualified investments, small business loans in low- and moderate-income neighborhoods, and philanthropy, outspending Sovereign, which has $2 billion more in deposits. Sovereign however was not far behind at #3. Sovereign ranked #1 in its percentage of community development loans to nonprofits and its percentage of grants to CBO's.

However, its #3 ranking in home purchase loans and small business loans to low- and moderate-income communities are more meaningful as the bank did a much higher volume of lending in those categories. Sovereign ranked very poorly in percentage of bank branches in low- and moderate-income communities, with less than 2% in low-income communities.

Very few institutions near the top or bottom of the rankings scored consistently high or low, as demonstrated above in the high-ranking banks. Similarly for lower-ranking banks like HSBC which ranked #8, but still ranked very high in some categories, including #1 in the percentage of deposits devoted to small business loans in low- and moderate-income neighborhoods and the percentage of grants to neighborhood-based organizations. Likewise, Apple Bank ranked #6, but ranked in #2 and #3 in several categories, including community development lending and CRA-qualified investments.

Of the wholesale banks, we are very impressed with the level of commitment by Goldman Sachs and Morgan Stanley, both of which are investment banks that only recently became CRA-covered institutions when they changed their charter to include a bank-holding company as a condition of receiving federal dollars in the midst of the economic crisis. We are particularly impressed with Morgan Stanley which ranked #1. Morgan Stanley Private Bank, N.A. commenced operations, including its CRA activity, in July 2010, in the middle of the data-reporting year for this report, which makes us hopeful that 2011 will bring an even higher level of activity. However, we must also note that they ranked higher than Goldman Sachs primarily because of their much smaller deposit base. Goldman Sachs remains a leader in community development among the wholesale banks, and went further this year as it increased its community development staff considerably, as well as its community development lending, CRA-qualified investments, and philanthropy. While still well below our 5% goal, Goldman Sachs was the only wholesale bank to dedicate over 1% of its deposits to reinvestment activities. In their half year of activity, Morgan Stanley has made a great start, investing $28 million in community development loans, all of which went to nonprofit developers, and ranking second in percentage of CRA qualified investments to deposits.

Deutsche Bank slipped to #3 this year, which is partly due to all four wholesale banks now being ranked, but also due to their decreases in community development lending and philanthropy. Deutsche bank actually increased its CRA-qualified investments, but the total amount invested still lags its peers as a percentage of deposits. At the same time, we recognize Deutsche Bank as a long-time leader in the community development field, with a dedicated staff and an intentional philanthropic program, including a strong commitment to the Neighborhood Opportunities Fund (NOF) that supports community organizing and civic engagement and a well-respected, effective program that for more than three decades has supported CDCs in the early stages of community development projects.

Bank of New York Mellon once again ranks last among the wholesale banks. The Bank of New York Mellon is the product of a merger between the New York-based Bank of New York and the Pennsylvania-based Mellon Bank. Prior to the merger, the Bank of New York had been a well-respected reinvestment partner in the city for many years, known for areas of conscientious and strong commitment. When the two banks proposed the merger in 2007, ANHD raised concerns that the combined institution, now headquartered in Pennsylvania, would lose the conscientious and effective local New York City focus of its reinvestment activities. Despite promises to the contrary made to the regulators who approved the merger and to community organizations like ANHD, these concerns turned out to be well-founded. The new Bank of New York Mellon has demonstrated little interest and ability to excel in community development in our city. Although the quantity of activity in the areas we measure is adequate, it lacks the intentional qualitative aspects that mark a serious institutional commitment. Bank of New York Mellon ranks last once again among wholesale banks, due both to their low investments as compared to their deposit base – the largest among wholesale banks – and their lack of a full response, only providing a bare minimum of data and not enough to be ranked in all categories.

We are encouraged by the data this year, with a much higher level of reinvestment overall after two years of steady declines. But, as a whole, ANHD is still concerned with the overall level of investment, and particularly that less than 2% of total bank deposits in New York City are dedicated to reinvestment.

Robust and sustained community development lending, investments, and services are critical to sustaining the strong, vibrant, diverse communities of New York City. These 23 banks that are growing and thriving from New York City government, businesses, and residents can and should be doing more to ensure that these communities endure.

PART IV

RECOMMENDATIONS

#1

BANKS WITH DISTRESSED MULTIFAMILY LOANS SHOULD IMPLEMENT A "FIRST LOOK" PROGRAM TO TRANSFER DISTRESSED PROPERTIES TO PRESERVATION-MINDED PURCHASERS.

When loans are not responsibly underwritten, and speculative underwriting or lending to bad-actor landlords has put the buildings and the surrounding community at risk of financial and physical distress, the bank has a special responsibility to deal with the distressed assets and undo the damage caused by the irresponsible loans. In these cases, the bank must use appropriate underwriting that values the loan and the building at its actual worth – based on actual income and maintenance costs, in addition to properly assessing a property's current physical condition – and deal with a responsible purchaser who will stabilize the affordable housing and the surrounding community.

In order to do this, ANHD has advocated strongly for individual banks to participate in a "First Look" program where the banks will make available to the City Department of Housing Preservation and Development (HPD) and ANHD their list of distressed mortgage debt and/or buildings that the bank is looking to dispose of. HPD and ANHD have established or are in the process of establishing an orderly protocol with two banks already (New York Community Bank and JPMorgan Chase) where the banks allow preservation purchasers a first look at their distressed assets during an exclusive time-limited period that respects the need of the bank to dispose of the assets in a timely, market-driven manner. We are working with a third major bank to establish similar protocols.

ANHD and our members have been also been working with HPD to fully establish a publically-funded preservation transfer program to incentivize mortgage-holding lenders to reasonably write down loans and transfer ownership to preservation-minded purchasers. New York City publically committed $750 million to the effort and has compiled a list of nonprofit and for-profit landlords with a history of preserving affordable housing which it will recommend for these deals. At the same time, HPD's affiliate Neighborhood Restore has been putting together the financing and structure for a note-sale facility that will allow the City to work with preservation purchasers, especially nonprofits, to buy at-risk mortgage debt as well as foreclosed buildings. The infrastructure that HPD has put in place is an important start, but the approach has not yet reached the scale it needs to transfer the many distressed buildings in the city to more responsible owners.

ANHD applauds the banks already participating and makes the following recommendations:

- Banks with a multifamily portfolio should implement a First Look program to allow HPD and ANHD an opportunity to stabilize the housing by arranging a preservation-minded developer to begin a fair negotiation for distressed properties – based on actual income and expenses – in order to remove them from a speculative investment cycle. Because nonprofit CDCs are mission-driven to preserve affordability, they should be considered the first option for preservation purchase deals where possible.
- New York City should approve and fully fund the distressed-debt note-sale facility that is at the heart of the city's multifamily strategy.
- The City should allow this note-sale facility to quickly prove itself and move to operate at a significant scale in order to have an impact on the problem.

If implemented, these recommendations have the potential to preserve many thousands of units of affordable, rent-regulated housing. They would also go a long way towards rebuilding the image of banks as institutions committed to our local communities.

#2

ALL BANKS SHOULD COMMIT TO INCREASING ITS PERCENTAGE OF LOCAL DEPOSITS TO THE FULL RANGE OF TARGETED, STRATEGIC REINVESTMENT LENDING AND INVESTMENTS THAT SPECIFICALLY BENEFIT LOW- AND MODERATE-INCOME COMMUNITIES.

In light of increasing deposits, and an ever-growing need for community development in the local communities in which banks do business, ANHD is concerned that such a small percentage of deposits are dedicated to these investments. The total reinvestment activity in 2010 was $7.9 billion, which equals 1.35% of the $590 billion of local deposits. On average, the 23 banks reinvested 3.1% of their deposits; when the highest and lowest percentages are removed, that drops to 2.2%. Citibank and M&T, which we consider leaders in community development activity and practices, reinvested just over 4%.

This year, ANHD is asking the question: if 1.35% of deposits reinvested is not sufficient to help meet the credit needs of low- and moderate-income New Yorkers, then how much is enough to satisfy their CRA obligations? Based on our analysis of current reinvestment levels, ANHD believes that setting an expectation for banks to reinvest a minimum of 5% of their local New York City deposits in our City is both reasonable and attainable for most banks. This goal may take more time for some to meet, while others already exceed it, and thus we expect all banks to increase reinvestment year over year and make a strong effort to reach and exceed that goal over time and to do so in a responsible, equitable manner.

5% of deposits, and even smaller, more incremental increases towards that goal, would have a huge impact on the lower-income communities of New York City.

Philanthropy is the only activity for which a bank does not get a direct return on investment. Thus, it is a true statement of their values and commitment to New York City. ANHD believes that banks should commit more than their current average level of .02% of deposits. Even .05% of deposits would translate into $295 million to carry out the missions of hundreds of nonprofit CDCs, service agencies, and advocacy organizations dedicated to revitalizing and empowering vulnerable communities.

We make the following recommendations to be evaluated over the coming year as we refine this metric:

- Banks that already invest close to 5% of their deposits should take steps over the next year to reach or exceed that goal in a responsible manner.
- Recognizing that it might take more time for some banks to reach 5% of deposits, while others have already exceeded it, we ask each bank to increase its reinvestment levels from year to year. Banks well below the 5% mark should take incremental steps forward and build up the infrastructure (staff and resources) within their institution to support larger deals that target the unique banking needs of New York City communities.
- While not all business models support every type of investment, we would like to see every bank devote significant resources to multifamily housing and CRA-eligible grants.

Banks often cite the highly competitive market in New York City that makes finding CRA opportunities difficult at times. While ANHD acknowledges this challenge, we also know that the opportunities for community development are endless. The aging housing stock; high unemployment levels; increasing credit needs for affordable housing, small businesses, and home purchase and refinancing; and myriad economic, social and environmental needs ensure that opportunities to increase the level of high quality community reinvestment activities will always be present.

All banks can, and should, do more across the reinvestment spectrum, including the construction and maintenance of affordable housing, fair and consistent lending, and responsible generous philanthropy that supports a vibrant, healthy city and nonprofit sector.

#3

COMMIT TO THE IMPLEMENTATION OF THE RESPONSIBLE BANKING ACT.

In 2012, the New York City Council passed Local Law 38, the Responsible Banking Act. While the law does not require banks or government to take any specific, pre-determined action, it gives the City and local communities the information they need to determine a baseline of neighborhood banking needs and evaluate how banks are engaging in community development and reinvestment at a local level so that they can make more informed decisions about which banks might merit more City business, or less of it. ANHD believes it provides an open, transparent system of data sharing and communication that better equips banks to understand and meet the credit needs of the New York City communities, and provides new tools to do so on an ongoing basis.

ANHD urges all banks covered by the RBA to fully participate in its implementation. This includes meaningful engagement with the new Community Investment Advisory Board (CIAB). We urge the banks to fully participate in the CIAB through their banking industry representative and to respond in a complete and timely manner to requests for information. We also encourage these banks to continue engaging with ANHD and member institutions in this process so as to foster a collaborative environment in which we can work together to increase levels of reinvestment in our city, and give all New Yorkers the opportunity to live and excel in this vibrant, diverse city.

#4

STRENGTHEN THE REGULATORY SYSTEM BY ENCOURAGING REGULATORS TO TAILOR ASSESSMENT CRITERIA TO THE LOCAL PERFORMANCE CONTEXT. REGULATORS SHOULD ALSO PLACE EQUAL EMPHASIS ON BOTH THE QUANTITY AND QUALITY OF A BANK'S ACTIVITIES AS THEY PERTAIN TO THE LOCAL ENVIRONMENT.

ANHD recognizes that many banks have tailored their business models in such a way that makes it difficult for them to provide certain products or engage in the full range of CRA-related activities. That being said, it is ANHD's belief that for the largest banks, it is hard to justify not providing products or programs that impact large segments of the assessment area's residents and neighborhoods. In New York City, for example, we would expect that a greater emphasis be placed on lending and investments supporting the creation and preservation of multifamily properties.

Indeed, community development loans and investments are central to building strong neighborhoods and supporting the work of CDCs. Equally important are lines of credit at critical moments, but lines of credit only count for extra credit. Similarly, CRA-eligible grants are the only CRA investments that do not provide a clear return on investment. Thus, they are a statement of a bank's values and commitment to community stabilization and revitalization and should be recognized as such.

It is also clear that performance evaluations have become increasingly volume driven. As mentioned above, ANHD does indeed believe banks should be investing more across the spectrum of CRA lending and investments. But, we also recognize that this can give an unfair advantage to the largest institutions and lead banks to support cookie cutter deals rather than develop innovative products and programs.

Thus, we recommend that regulators:

- Take into account the impact of multifamily loans on the stability of the affordable housing stock and not simply the geographic distribution of the multifamily loans made in low- and moderate-income census tracts and the quantity of community development loans. This can be easily be determined if regulators request the Debt Service Coverage Ratio for each building, which is a clear and simple expression of the stability of loan underwriting. For example, a Debt Service Coverage Ratio that is below 1.2 suggests that the loan is speculative and possibly based on the expected removal of many of the moderate-rent paying tenants. Such loans deserve particular scrutiny as they could undermine the affordable housing or cause financial pressure that could result in physical deterioration due to neglect of needed repairs.
- Give extra credit for CRA-eligible grants, and particularly grants to neighborhood-based organizations, perhaps adding an additional test specifically for these critical investments.
- Provide CRA credit for lines and letters of credit in order to achieve parity with lending and investments, especially in cities like New York where the housing stock is comprised mostly of multifamily rental properties that often require such products.
- Give extra weight to investments and loans to nonprofit CDC's that are mission-driven to build and maintain deeply, permanently affordable housing and the range of services needed to support the tenants and surrounding neighborhoods.
- In the rare case where banks cannot provide the full range of essential products, they should be required to demonstrate how they are meeting their obligations in other ways.

APPENDIX B

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. And 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 2009 and 2010 were included in trending analysis year to year. For this reason, there is some amount of data that banks provided for 2010 that we could not use for year-over-year analysis since the same information was not provided in 2009. Appendix A details all information that we received from each lender.

ANHD made every attempt to acquire missing information by any bank by using a variety of sources:

- CRA Wiz for home purchase lending (HMDA data), multifamily lending (HMDA data), small business lending, and deposits
- FDIC for bank branch information
- Bank annual reports and CRA examinations

Some information found through these methods is imprecise for our purposes. For example, not all refinance loans are HMDA reportable, which mainly 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 many banks did not report across all data points. As will be discussed in Part III, one of ANHD's key priorities for CRA modernization is to require banks to report this important information on an annual basis. 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 wanted to compare and rank banks against their peers to examine which institutions were leaders within the industry. In an attempt to control for the wide variance in size and the various charters of the institutions, which are central to informing their respective business plans, we group and compare these 23 institutions into the following three categories: commercial banks, savings banks, and wholesale banks, based strictly on how they are chartered. Historically, commercial and savings banks have operated fairly distinctly. Commercial banks focused more on providing financial services to corporations and other investments that generate the largest profits for their shareholders, while savings banks focused more on residential (1-4 family and multifamily buildings) mortgages and savings accounts. Today, the lines between the two have blurred and both operate quite similarly in many areas.

We use the following terms as defined by the FFIEC and OCC:

Commercial banks: A financial institution that is owned by stockholders, operates for a profit, and engages in various lending activities. These include:

- **National Bank:** A Commercial Bank whose charter is approved by the Office of the Comptroller of the Currency. National banks are required to be members of the Federal Reserve System.
- **State Member Banks:** This subset includes all commercial banks that are state-chartered and members of the Federal Reserve System.
- **Non-Member Banks:** This subset includes all Commercial Banks that are state-chartered and are NOT members of the Federal Reserve System.

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 Bank:** Banking institution organized to encourage thrift by paying interest dividends on savings. Savings banks can have state and federal affiliations,
- **Savings and Loan Association:** A financial institution that accepts deposits primarily from individuals and channels its funds primarily into residential mortgage loans.

Wholesale Banks: A bank that is 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. For CRA purposes, they are evaluated by more narrowly defined standards.

RANKINGS

Rankings were determined based on the following methodology: banks that provided information for a given indicator received a score based on their performance compared to their peer banks. Based on the number of banks in each category, the scores ranged from #1 to #11 for commercial banks; #1 to #8 for savings banks; and #1 to #4 for wholesale banks. Banks that had the best performance received a score of #1, the second best bank a #2, and so on. For indicators where not all banks reported, the upper limit was reduced from #10, #8 or #4 to the number of reporting banks. It should be noted that ANHD did not weight the indicators so the actual amount of the differential between two banks' level of activity mattered less in our analysis than the more straightforward measure of who did more or less compared to their peers.

Although ANHD compiled and analyzed 64 different types of data, banks were ranked according to the following 17 indicators:

- Percentage of Branches in Low- and Moderate-Income census tracts
- Percentage of Branches in Low-Income census tracts
- Percentage of Community Development Staffing located in NYC
- Percentage of Multifamily Loans in Low- and Moderate-Income census tracts
- Percentage of Bank Deposits Dedicated for Community Development Lending
- Percentage of Community Development Loans to Nonrofit Borrowers
- Percentage of Community Development Loans to Affordable Housing
- Percentage of Home Purchase Loans to Low- and Moderate-Income Borrowers

- Percentage of Bank Deposits Dedicated to CRA-qualified Investments
- Percentage of CRA-qualified investments to Nonprofits
- Percentage of Small Business Loans in Low- and Moderate-Income census tracts
- Percentage of Bank Deposits Dedicated for Small Business Loans in Low- and Moderate-Income census tracts
- Percentage of Deposits Reserved for Philanthropy
- Percentage of CRA Grants to Neighborhood and Community Based Organizations
- Percentage of Deposits Dedicated for Total Reinvestment. Calculated for banks that reported on all of the following activities: (1) Community Development Lending, (2) CRA qualified investments, and (3) CRA-eligible grants and we considered an additional five activities for Savings & Commercial Banks: (1) Multi-family lending in low- and moderate-income tracts; (2) & (3) Small business lending in low- and moderate-income tracts; and (4) & (5) Home Purchase lending to low- and moderate-income Borrowers.
- Percentage Completeness of Data Request
- Community Responsiveness (Raw Score)

The 17 indicators were chosen to capture the spectrum of CRA-related activities of importance to low- and moderate-income residents as well as Community Development Corporations (CDCs) and the availability of data. Moreover, the selected indicators cover the full range of lending, investment and services, but also reflect ANHD's belief that not all CRA-eligible activities are necessarily equal. For example, a community development loan to a nonprofit developer demonstrates not only the bank's commitment to build partnerships with local institutions, but also results in keeping these valuable resources under community control which ensures they will be available to residents over the long term. Summary tables for each activity are incorporated throughout the report and present banks that rank either high or low based on their performance.

There are a few changes to the data collected and ranking in 2010. For one thing, now all comparisons within a category, such as percentage of loans to low- and moderate-income borrowers, are based on dollar amounts loaned, and not the number of loans originated. In previous years we included some of each, but are now consistently using dollar amounts. Second, due to the challenges of gathering complete data from a representative sample of banks, we removed HAMP modifications from the ranking, but we kept loan modification data in the narrative. Finally, we added three new indicators to the overall ranking: Percentage of Small Business Loans in Low- and Moderate-Income census tracts; Percentage of Bank Deposits Dedicated for Small Business Loans in Low- and Moderate-Income census tracts; and Percentage of Deposits Reserved for Reinvestment. Reinvestment activity encompasses a wide range of investments in the health and wellbeing of NYC neighborhoods. This year we factored the percentage of deposits to reinvestment activity into the overall ranking, but only for banks that reported on all three (wholesale), or eight (savings and commercial) reinvestment activities: We considered three major reinvestment activities for all banks: (1) Community Development Lending, (2) CRA qualified investments, and (3) CRA-eligible grants and an additional five activities for the 19 savings and commercial banks: (1) Multifamily lending in low- and moderate-income tracts; (2) and (3) Small business lending in Low-Income and Moderate-Income Neighborhoods; and (4) and (5) Home Purchase lending in Low-Income and Moderate-Income Neighborhoods.

After rankings were assigned for individual indicators, a bank's aggregate score for the 17 indicators was then divided by the number of relevant indicators they were scored on to determine their weighted score. Banks were then ranked 1-11 (for commercial banks), 1-8 (for savings) or 1-4 (for wholesale) to determine their Overall Ranking. Thus, a bank that received a #1 ranking had the strongest record among its peer institutions across the indicators we examined and a commercial bank with a #10 ranking, a savings bank with a #8 ranking, or a wholesale bank with a

#4 ranking had the weakest performance respectively. At the same time, it should be noted that the rankings are not intended to characterize banks as either "good" or "bad." Rather, they are meant to provide a snapshot of how well New York City banks helped meet the credit needs of low- and moderate-income households and neighborhoods compared to their peers in 2010.

While a bank's quantitative record is important, ANHD recognizes the significance of the qualitative impact of a bank's CRA-related activities on community development, small businesses, financial literacy, wealth creation, and neighborhood stabilization. Given this recognition and our desire that banks seek to achieve more than just numbers, we added an indicator this year that seeks to measure "Community Responsiveness." Several factors were included in this indicator such as:

- Does the bank have a community development group dedicated to New York City?
- Does the bank have an advisory board or another formal mechanism for inviting feedback and fostering regular conversations with leaders from the community?
- Does the bank have an open, transparent grant-making process?
- Does the bank demonstrate true innovativeness with regards to its CRA lending, service, and or investments?

ADDITIONAL FACTORS

The definition of CRA staff was changed in 2010 to include staff supporting all other CRA activity, not just philanthropy, and thus we cannot compare that data point year to year. This is not included in the ranking. The definition of Community Development staff remained the same.

In addition to rankings, 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 to do so:

Multifamily Housing: Physically and financially distressed housing

The Building Indicator Project (BIP) is a database created by ANHD-member organization University Neighborhood Housing Program. UNHP's BIP database assigns properties to a particular lender based on records pulled from the City's Register (ACRIS) which records mortgage activity in four of New York City's five boroughs: Manhattan, Queens, Brooklyn, and the Bronx. The most recent Party 2 on a mortgage document (excluding satisfactions) is used, and mortgages recorded in the past 20.5 years (Jan 1992 through May 2012) 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. Another indicator we analyzed this year is a simpler indicator of physical neglect, based on the number of B & C violations. We believe a building is very likely to be physically distressed if one or both of the following indicators holds true:

- The ratio of recently issued B & C violations to total units is greater than two (violations issued in the previous two years, regardless of resolution)
- The ratio of all open B & C violations to total units is greater than two

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

Racial Disparities in Home Purchase Lending

ANHD only asks banks for data on home purchase lending overall and to low- and moderate-income borrowers. We gathered additional data for the calendar year 2010 reported in compliance with the Home Mortgage Disclosure Act (HMDA) to examine racial disparities in both home purchase and refinance loans originated for 1-4 family homes.

We look at all types of loans (Conventional, FHA, or VA, including first and second lien) breakdown in the following racial/ethnic categories:

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

APPENDIX C

TOTAL STATISTICS FOR ALL 23 BANKS

	Total for 2010 (%'s are averaged)	# Banks for which we have data in 2010	# Banks for which we have data in both 2009 & 2010
Staffing			
Community Development Staff Serving NY	307	20	18
Community Development Staff located in NYC	227	20	18
Staff supporting CRA Activity	258.5	19	14
CRA Staff Located in NYC	169.5	20	15
Average % Community Development Staffing located in NYC	81.50%	20	18
Branches & Deposits (billions)			
Tier 1 Capital	$512.40	21	19
Total Deposits (National)	$2954.09	20	18
Total Deposits in NYC	$590.18	23	22
Total NYC Branches	1387	19	19
Low-Income (LI) Branches	103	18	18
Moderate-Income (MI) Branches	281	18	18
Average % branches in low- and moderate-income neighborhoods	33.94%	18	16
Average % branches in LI Census Tracts	10.07%	18	14
Multifamily (MF) Lending (millions)			
MF Lending (# Loans)	1033	19	18
MF Lending (in $)	$4108.48	19	18
MF Lending in low- and moderate-income neighborhoods (#)	700	20	18
MF Lending in low- and moderate-income neighborhoods ($)	$2002.96	20	17
Average % of MF lending in low- and moderate-income neighborhoods	50.19%	19	17
Community Development Lending (millions)			
Community Development Lending (# Loans)	576	20	17
Community Development Lending (in $)	$3113.66	21	18
Community Development Loans to Nonprofits (#)	155	17	14
Community Development Loans to Nonprofits ($)	$593.04	17	14
Affordable Housing Loans (#)	163	18	13
Affordable Housing Loans ($)	$1852.76	18	13
Affordable Housing to NFPs (#)	74	16	5
Average % Community Development Lending to AH ($)	50.93%	18	13
Average % Community Development Loans to NFPs ($)	48.86%	17	14
Average Community Development Lending as % of Deposits	0.918%	21	18

Small Business Lending (millions)			
Small Business Loans in NYC (#)	36544	19	
Small Business Loans in NYC ($)	$1866.08	19	
Small Business Loans in LI neighborhoods (#)	2439	16	
Small Business Loans in LI neighborhoods ($)	$122.04	16	
Small Business Loans in MI neighborhoods (#)	7018	16	
Small Business Loans in MI neighborhoods ($)	$274.36	16	
Average % Small Business Loans in LMI neighborhoods ($)	28.64%	13	
Average Small Business Loans in LMI neighborhoods as % of Deposits	0.133%	16	
CRA-Eligible Investments (millions)			
CRA Qualified Investments (#)	149	18	14
CRA Qualified Investments ($)	$1818.24	20	16
LIHTC (#)	49	17	7
LIHTC ($)	$635.37	18	12
Average % CRA-qualified investments devoted to LIHTC ($)	39.09%	18	13
NMTC ($)(m)	$146.94	15	5
NMTC (#)	15	15	4
CRA Qualified Investments to NFPs ($)	$246.67	18	11
CRA Qualified Investments to NFPs (#)	48	18	11
Average CRA-qualified investments as % of Deposits	0.43%	20	16
Mortgage Lending (millions)			
Home Purchase Loans (#)	22845	19	17
Home Purchase Loans ($)	$9892.64	19	17
HPLs to Low-income borrowers (#)	338	17	14
HPLs to Low-income borrowers ($)	$72.05	17	14
HPLs to Moderate-income borrowers (#)	2242	17	14
HPLs to Moderate -income borrowers ($)	$495.51	17	14
Average % of Lending to low- and moderate-income Borrowers ($)	7.98%	18	14
Average % of Lending to Low-income Borrowers ($)	1.96%	17	14
Loans Eligible for Trial Mod (#)	56518	12	3
Eligible loans Granted a Trial (#)	5315	11	3
Average Eligible loans Granted a Trial (%)	43.71%	10	2
Loans Eligible for Perm Mod (#)	20947	11	4
Eligible loans Granted a Perm Mod (#)	9859	12	6
Average % of Trial Mods resulting in Permanent Mod	63.95%	7	4
Eligible for Perm HAMP (#)	18976	11	1
HAMP Perm Modifications (#)	2478	11	1
Average % of HAMP Trial Mods resulting in Permanent Mod	56.15%	5	2

Philanthropy (millions)			
Total Philanthropic Giving (National) ($m)	$443.73	17	10
CRA Eligible Grants in NYC ($m)	$64.48	18	17
CRA Eligible Grants in NYC (#)	1527	17	2
Average % of Grants for Affordable Housing	24.54%	16	11
Average % of Grants to Neighborhood Based Organizations (NBOs) ($)	63.64%	16	11
Citywide CRA Grants ($)	$28.88	16	9
Average % of Deposits Dedicated to Philanthropy (NYC)	0.018%	18	17
Reinvestment (millions) activity for banks that responded to all reinvestment categories			
Total Reinvestment activity*	$6657.05	17	
Total deposits among 17 banks reporting in all reinvestment categories	$508.99 billion		
Average % of Reinvestment to Deposits	2.89%	17	

**Total Reinvestment, regardless of the number of categories in which a bank reported was $7963.32 million, which equals 1.35% of total deposits reported and an average of 3.2% across all 23 banks.*

APPENDIX D

SAMPLE INFORMATION REQUEST LETTERS

Dear ,

I hope you are well. I am writing to submit our annual request for information concerning Bank's CRA-related activities in New York City for calendar year 2010. We are especially interested in the bank's community development lending, investment and services. We would like this information on the activities of Bank and all other subsidiaries/ affiliates doing business in New York City.

The Association for Neighborhood and Housing Development (ANHD) is a non-profit member organization of 98 neighborhood-based housing groups in New York City. Our members serve low- and moderate-income communities and households throughout the five boroughs. Since the passage of the Community Reinvestment Act (CRA) in 1977, ANHD's reinvestment advocacy has focused on identifying unmet credit needs as well as opportunities related to affordable housing and community development in New York City.

I would like to thank you in advance for sharing this important data. To facilitate submission of this data, we have enclosed a form that will hopefully guide your response. If your bank does not engage in a particular activity, please answer "Not applicable." We understand that every financial institution is unique and that numbers alone do not always capture all the bank's CRA-related efforts. For this reason, I also invite you to share additional information—either quantitative or qualitative—that you believe demonstrates Bank's commitment to help meet the credit needs of working class New Yorkers.

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. The shaded areas should be filled out to the greatest extent possible. We hope you find this guide helpful as you prepare your response.

Bank Name:	
Main Address:	

Tier One Capital

We are requesting the following information concerning Bank's Tier 1 Capital as of December 31, 2010:

- Dollar amount of Tier 1 Capital

Deposits and Branch Network

We are requesting the following information concerning Bank's deposits and branches as of December 31, 2010:

- Dollar amount of deposits in New York City
- Dollar amount of deposits nationally
- Number of bank branches within the five boroughs of New York City
- Number of NYC branches that were located in low-income census tracts
- Number of NYC branches that were located in moderate-income census tracts

Additionally, please provide information on whether Bank opened or closed any branches in New York City in 2010. If so, please let us know how many of those branches were in low-income tracts and how many were in moderate-income tracts.

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

Branches & Deposits	#	$
Tier 1 Capital (b)($)		
Total National Deposits		
Total NYC Deposits		
Total # of branches located in NYC		
# of Low-Income (LI) Branches located in NYC		
# of Moderate Income (MI) Branches located in NYC		

Community Development and CRA-related Staffing

We are requesting the following information concerning Bank's staffing as of December 31, 2010:

- 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 Bank's 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 in the gray highlighted boxes below:

Staffing	#
CD Staff Serving NYC	
CD Staff located in NYC	
Staff supporting CRA Activity	
CRA Staff Located in NYC	

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

Lending

For all loans, please only report if they were made to a development, project, initiative or borrower that is located in New York City. For example, it would be appropriate to report a construction loan for a new affordable housing development in the South Bronx. If a loan is made to an intermediary, loan fund, or other vehicle located in New York City but does activity outside of the city too, only report the portion of that loan that directly benefits New York City.

Community Development Lending

Community development lending 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 not-for-profit organizations that serve primarily LMI households. We are requesting the following information concerning Bank's community development lending in 2010.

- Number of community development loans originated in NYC as a whole and by borough
- Dollar amount of community development loans originated in the city and by borough
- Number of community development loans made to non-profit sponsors / borrowers
- Dollar amount of community development loans made to non-profit sponsors / borrowers
- Number of community development loans for affordable housing
- Dollar amount of community development loans for affordable housing

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

CD Lending (m)	#	$
Community Development Loans in NYC (#,$)		
Community Development Loans to Nonprofits (#, $)		
Affordable Housing Loans in NYC (#,$)		
Affordable Housing loans to NYC to Nonprofits (#,$)		

Multifamily Lending

Multifamily lending are 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 2010:

- Number of multifamily loans originated in New York City as a whole and by borough
- Dollar amount of multifamily loans originated in the city and by borough
- Number of multifamily loans for properties in low- and moderate-income (LMI) neighborhoods in the city as a whole and by borough
- Dollar amount of multifamily loans for properties in LMI neighborhoods in the city and by borough

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

Multifamily (MF) Lending (m)	#	$
MF Loans in NYC (#, $)		
MF Loans in LMI tracts in NYC (#,$)		

Home Purchase Lending

Home purchase lending are loans extended to consumers by financial institutions to be used towards the purchase of an owner-occupied home. We are requesting the following information concerning Bank's home purchase loans in New York City in 2010:

- Number of home purchase loans originated in New York City
- Dollar amount of home purchase loans in the city
- Number of home purchase loans originated with low-income (LI) borrowers in the city
- Dollar amount of home purchase loans originated with LI borrowers in the city
- Number of home purchase loans made with moderate-income (MI) borrowers in the city
- Dollar amount of home purchase loans originated with MI borrowers in the city

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

Mortgage Lending (m)	#	$
Home Purchase Loans in NYC (#,$)		
HPLs to LI borrowers (#,$)		
HPLs to MI borrowers (#,$)		

Loan Modifications (HAMP and / or Proprietary)

We are requesting the following information concerning Bank's loan modification activity in New York City in 2010. Please indicate whether your bank participated in the Federal HAMP program and/or if your bank has a proprietary loan modification program.

- Number of mortgage loans that were eligible for a trial loan modification
- Number of eligible loans that were granted a trial loan modification
- Percent of eligible loans that were granted a trial loan modification
- Number of mortgage loans that were eligible for a permanent modification
- Number of eligible loans that were granted a permanent loan modification
- Percent of eligible loans that were granted a permanent loan modification

Please fill in the requested information pertaining to Loan Modifications in the gray highlighted boxes below:

Loan Modifications	#	$	%
Loans Eligible for Trial Mod (#,$)			
Eligible loans Granted a Trial (#,$)			
Eligible loans Granted a Trial (%)			
Loans Eligible for Perm Mod (#,$)			
Eligible loans Granted a Perm Mod (%)			
Loans eligible for HAMP Perm Mod (#,$)			
HAMP Perm Modifications (#,$)			
% of HAMP Trial Modifications resulting in Permanent Mod			

Small Business Lending

Small Business lending are any small business loan made to a firm with annual revenues of $1 million or less within your banking institution's local CRA assessment area(s), or in a lower-income neighborhood (regardless of firm revenue) within your institution's local CRA assessment area(s). We are requesting the following information concerning Bank's small business loans in New York City in 2010:

- Number of small business loans originated in New York City
- Dollar amount of small business loans in the city
- Number of small business loans in low-income (LI) neighborhoods in the city
- Dollar amount of small business loans in LI neighborhoods in the city
- Number of small business loans in moderate-income (MI) neighborhoods in the city
- Dollar amount of small business loans in MI neighborhoods in the city

Small Business Lending (m)	#	$
Small Business Loans in NYC (#,$)		
Small Business Loans in LI neighborhoods (#,$)		
Small Business Loans in MI neighborhoods (#,$)		

Investment

When reporting CRA-qualified investments, please report investments only for the year in which they were drawn down. For example, if your institution approved an investment for $10 million to a CDFI and that investment has a five year horizon, do not book the full amount in Year 1 but rather on a pro rata basis over the five years.

CRA-Qualified Investment

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. We would prefer investments to be reported on a pro-rata basis if the investment spans over several years. For calendar year 2010, what were the:

- Number of CRA-qualified investments made in New York City
- Dollar amount of CRA-qualified investments made in New York City
- Percent of these CRA-qualified investments that are Low Income Housing Tax Credits
- Percent of these CRA-qualified investments that are New Markets Tax Credits
- Number of these CRA-qualified investments made with non-profit sponsors
- Dollar amount of these CRA-qualified investments made with non-profit sponsors

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

CRA-Eligible Investments	#	$	%
CRA Qualified Investments in NYC (#,$)			
CRA Qualified Investments to NFPs (#,$)			
LIHTC in NYC (#,$)			
NMTC in NYC (#,$)			

Philanthropy

We are requesting the following information concerning Bank's philanthropy in 2010:

- Dollar amount of CRA-eligible grants awarded nationally
- Dollar amount of CRA-eligible grants awarded in New York City and by borough
- Dollar amount of CRA-eligible grants made to neighborhood-based organizations
- Percent of CRA-eligible grants that were awarded for affordable housing
- Percent of CRA-eligible grants that were awarded for community development
- Percent of CRA-eligible grants that were awarded for financial literacy

Does the bank have a competitive grant application process with well-defined procedures and priorities? 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? Finally, what is the total CRA philanthropic budget for New York City for 2011?
Please fill in the requested above information in the gray highlighted boxes below:

Philanthropy	#	$	%
Total National Philanthropic Giving($)			
CRA Eligible Grants in NYC (#,$)			
CRA Eligible Grants to NBOs			
% of CRA-eligible grants awarded for Community Development			
% CRA Grants for Affordable Housing			
% 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 Advisor 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.

GLOSSARY OF TERMS AND ACRONYMS

Census Tract: Small subdivisions of metropolitan areas and other densely populated counties. Census tract boundaries do not cross county lines; they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: The range of bank activities that contribute to affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing small businesses or farms; or activities that revitalize or stabilize low- or moderate-income geographies, Designated disaster areas; or Distressed or underserved nonmetropolitan middle-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: Is defined by CRA regulators as a loan that has as its primary purpose community development and (except in the case of a wholesale institution) (1) has not been reported for consideration in the institution's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily-dwelling loan; and (2) benefits the institution's assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Unlike the CRA regulators, ANHD does not include multifamily mortgage lending in this category, but rather separates that out for analysis in our multifamily section.

Community Development Financial Institutions (CDFI): 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): A federal law stating 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, enacted by Congress in 1977 and updated in 1995, focuses primarily on activities benefiting low- and moderate-income communities and individuals as well as small businesses and farms. The CRA requires that each institution's record in helping meet the credit needs of its entire community be evaluated periodically. That record is taken into account in considering an institution's application for deposit facilities, including mergers and acquisitions.

Large banks are examined rigorously with regards to specific Lending, Investment and Service Tests. Small and mid-sized banks undergo a less rigorous, more streamlined exam that looks at all three areas, but focuses mainly 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 to support affordable housing; community services targeting low- and moderate-income individuals; activities that promote economic development by financing small farms and small businesses; and activities that revitalize or stabilize low- and moderate-income geographies. For example, banks may purchase state and local government bonds or tax credits (eg: Low-Income credits, such as Low-Income Housing Tax Credits, that fund the construction or rehabilitation of affordable housing.

Deposit Base: The amount of money a bank holds from customers (individuals, businesses, and governments) who are looking for safekeeping or to earn interest.

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 deposits in banks and thrift institutions for at least $250,000 and supervises (including conducting CRA examinations of) more than 4,900 banks, predominantly savings banks and state-charted commercial banks that are not members of the Federal Reserve System.

Federal Reserve Board (FRB): The governing body of the Federal Reserve System, which is the central bank of the United States. The FRB carries out the nation's monetary policy in an effort to create jobs and generally maintain the stability of the financial system; supervises and regulates banking institutions; 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 Purchase Lending: Loans extended to consumers by financial institutions to be used towards the purchase of an owner-occupied home.

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-needs areas. Historically, HMDA was implemented by the Federal Reserve Board. In 2011, it was transferred to the Consumer Financial Protection Bureau (CFPB).

Housing and Urban Development (HUD): 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): Created in 1971 as a supplementary and alternative means of supplying financing for affordable housing in New York City that was independent from the City's capital budget. At first HDC concentrated on providing financing for large-scale rental developments, but now 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): A New York City agency primarily responsible for preserving and developing affordable housing and enforcing the rights and responsibilities of tenants, landlords, and homeowners. HPD works with private, public and community partners 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). New York City is part of the New York Metropolitan Area, where the AMI in 2010 was $62,300, making low-income $31,150 or less. (This is based on all family sizes. Individual income limits vary by family size)

Low Income Housing Tax Credit Program (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 Area Median Income (AMI), or $37,380.

Moderate-Income: An individual whose income is between 50 - 80% of the area median income (AMI). New York City is part of the New York Metropolitan Area, where the AMI in 2010 was $62,300, making moderate-income between $31,150 and $49,840. (Individual income limits vary by family size).

Multifamily Lending: Loans, either originations or re-financings, to individual landlords or investors of multi-family properties, which are buildings with five or more units.

New Markets Tax Credit (NMTC) Program: A federal program created in 2000 that grants individual and corporations a tax credit 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 such as daycare centers, and increasing homeownership opportunities.

Office of the Comptroller of the Currency (OCC): A federal agency that 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 recognized in recent years by community advocates in New York City in which developers and lenders seeking a high return on their investment underwrite a mortgage on affordable, rent-regulated, multifamily apartment 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. In the context of rent regulation, this has directly led to landlords pushing out low- and moderate-income tenants using all methods – legal and semi-legal – at their disposal, and then taking advantage of loopholes in the rent regulation system to dramatically raise the rent. This business model has led to a significant loss of affordable housing in our city as tenants paying affordable rents were aggressively pushed out. And at times when the business model has been unsuccessful and rents could not be raised quickly enough to cover the mortgage, it led to a wave of apartment buildings falling into financial and physical distress.

Small Business Lending: For purposes of this report, ANHD defines Small Business Lending as any loan of $1 million or less made to a firm with annual revenues of $1 million or less or to any firm located in a lower-income neighborhood (regardless of firm revenue). CRA considers a small business loan any loan of $1 million or less to a business of any size. Regulators then do further analysis by breaking down these loans by their amounts and the revenue of businesses receiving the loans.

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

- *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*
- *Census tract information: http://www.census.gov/geo/www/cen_tract.html;*
- *Area Median Income data: http://www.huduser.org/portal/datasets/il/il10/index.html*
- *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*

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