Joseph DePaolo
And the Signature Bank Board of Directors
Signature Bank
1177 Avenue of the Americas, 4th Fl.
New York, NY 10036

April 20, 2017

Dear Mr. DePaolo and the Signature Board of Directors:

We are writing on behalf of the Association for Neighborhood and Housing Development (ANHD) and a coalition of organizations working with tenants in buildings financed by Signature Bank.

We have serious concerns about Signature's lending practices and are asking the bank to **commit to a set of best practices for any future loans the bank makes, either directly or through indirect collateral loans**. We also ask the bank to **work with the tenants to help resolve issues in the buildings currently in the bank's portfolio.**

Across Signature's multifamily portfolio, we have heard from tenants complaining about potential harassment, unsafe construction activities, poor housing conditions, and questionable rent increases. Members of this coalition are actively working with tenants impacted by landlords financed by Signature, including Ved Parkash (4th on the Public Advocate's worst landlord list), Raphael Toledano, Ink Properties, Icon, All Year Management, BCB and A&E. We also note that Signature has made loans on buildings formerly owned by Marolda Properties, which is currently under investigation by the Attorney General's office.

Enclosed in this letter are details related to the bank's portfolio as well as a set of case studies on specific buildings. We also outline a set of best practices for the bank to follow. As you will see, our demands are similar to those presented by the Toledano Tenants Coalition earlier this year. We were extremely disappointed with the bank's response. First and foremost, the bank would not commit to responsible underwriting with a Debt Service Coverage Ratio of 1.2 or more, nor would it commit to underwriting to preferential rents. The bank's assumption that a small percentage of its buildings are likely to have preferential rents belies the data; an estimated 23% of all rent-regulated units – over 175,000 units – have preferential rents[1]. The bank also outlined its due diligence procedures for assessing both properties and borrowers, and purported to take additional steps, such as entering into "Undertaking Agreements", when necessary to protect both tenants and the Bank's interests. But such existing safeguards and due diligence standards apparently failed to prevent the problems detailed in the enclosed studies, including:

- Buildings where tenants filed a class action lawsuit claiming a systematic pattern of illegal rent increases and deregulations;
- Buildings where landlords engaged in unpermitted and unsafe construction practices;
- And a "rodent-infested Bronx building affected by a deadly outbreak of a rare rat-borne disease . . . [and] owned by a notorious slumlord once deemed the worst in the City," according to the New York Post.

[1] http://ibo.nyc.ny.us/cgi-park2/2015/09/how-many-rent-regulated-units-are-rented-at-preferential-rates-and-where-are-they-located/

All lenders must be held accountable for their lending practices. This is especially so for banks like Signature Bank that are covered by the Community Reinvestment Act (CRA). Under the CRA, banks can get community development credit for multifamily loans where the rents are affordable to lower-income tenants. At the same time, most regulators will not give credit if the buildings are in bad condition or if the loans lead to displacement or a loss of affordable housing, as was the case in many of the Signature-financed buildings profiled in our report. Banks should uphold both the letter and the spirit of the CRA by ensuring that the loans they make and the loans they use as collateral uphold these standards to preserve affordable housing and protect tenant's rights.

We are writing today to ask Signature's Board of Directors to formally commit to the set of best practices outlined below. We need banks at the table to provide financing to responsible landlords and to be allies to address issues that arise when landlords engage in the practices detailed in our case studies. Adopting these best practices would enable Signature to better achieve those goals in order to preserve affordable rent-regulated housing in NYC for the millions of low- and moderate-income tenants who rely upon this housing.

We ask for a meeting to discuss the bank's response in person. Please contact Jaime Weisberg at ANHD to set up this meeting. She can be reached at 212-747-1117 x23 or by email at jaime.w@anhd.org.

Sincerely,

Association for Neighborhood and Housing Development
Asian Americans for Equality
CAAAV Organizing Asian Communities
Chhaya CDC
Cooper Square Committee
Housing Conservation Coordinators
New Settlement Apartment's Community Action for Safe Apartments
Northwest Bronx Community and Clergy Coalition
St. Nicks Alliance
Urban Homesteading Assistance Board
Urban Justice Center, Community Development Project

cc:
John Tamberlane, Signature Bank
Michael Schwartz & Joan Bartolomeo, Signature Bank
Robert Cordeiro, Federal Deposit Insurance Corporation (FDIC)
Mitchell Kent, NY State Department of Financial Services
Dina Levy, Office of the NY State Attorney General
Jennifer Levy, Office of the NYC Public Advocate
NY State Senator Brad Hoylman
NY State Senator Gustavo Rivera
NYC Councilmember Daniel Garodnick
NYC Councilmember Vanessa Gibson
NYC Councilmember Cory Johnson
NYC Councilman Mark Levine
NYC Councilmember Rosie Mendez
NYC Councilmember Antonio Reynoso
NYC Councilmember Richie Torres
NYC Councilmember Rafael Salamanca

Best Practices in Multifamily Lending

- Require **minimum Debt Service Coverage Ratios of 1.2 or more on rent-stabilized buildings.** Consider only **current in-place rents** (including **preferential rents**) and **realistic maintenance** costs when determining the net operating income for the property, with no credit for plans to increase rents over time.
    - **Discourage additional debt** without getting approval from the bank prior to doing so. Keep the building at DSCR >1.2

- Ensure **realistic appraisal** values, based on **current rents, building conditions, and maintenance costs**

- **Consult multiple sources to evaluate the record of landlords & property managers,** including their record of managing properties that are not within the bank's portfolio:
    - **Violations and liens**
    - **Lists currently used by regulators**, **HPD distressed asset List** and the **Building Indicator Project (BIP)** Database.
    - **Additional lists and indicators**: **"Worst Landlord List",** landlords **under investigation by government agencies** (e.g., the Attorney General), **Department of Buildings** (**DOB) violations, Department of Homeless Services (DHS) violations**.
    - Take into consideration **media reports** based on **Internet searches and input from tenant organizers** to determine whether borrowers have **raised concerns with tenants** or have **reputational issues** that should be taken into account in the underwriting process.
    - Evaluate and consider using **additional indicators** as they become available in the future, especially ones that **demonstrate harassment, displacement, and a loss of rent-regulated units**.

- Hold **regular information and engagement sessions** with tenant organizers and tenant leaders to identify problem landlords and practices.

- **Hire point person for bank who will visit buildings and is available to respond to and meet with tenants.**

- **In cases where the loan has already been made, work with all parties – borrower, community organizations and the City– to address the issues in the building.**

- In cases where the **loan is being considered**, take similar steps to assess the situation and, when problems are confirmed, will **address the situation proactively, such as through requiring building improvements, or decline to make the loan**.

- Apply the same standards for collateral loans (*i.e.*, loans using multifamily buildings as collateral) and loans made through a mortgage broker.

- Participate in the **First Look Program** to transfer buildings with distressed loans to responsible preservation-minded developers.

Details on Signature's Multifamily Lending

Multifamily loans are deeply important to ensuring there is an adequate supply of safe, affordable, well-maintained housing for working class residents. 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.

Signature is one of the largest multifamily lenders in New York City, reporting originating 609 multifamily loans ($2.5 billion) in 2014; 699 multifamily loans ($2.9 billion) in 2013, and 609 / $2 billion in 2012. Over half were in LMI tracts in each year, reaching 67% in 2014. Signature also presents a large percentage of their multifamily loans for community development credit (243 / $548 million in 2012, 261 / $632 million in 2013, and 153 / $700 million in 2014).

As of the December 2016 release of UNHP's Building Indicator Project (BIP) database, Signature held 2,474 buildings in its portfolio with 64,936 units. This is the 3rd highest number of buildings and 4th highest number of units among bank lenders in the database. BIP reports on every multifamily building in NYC and its lender of record. The database includes a "BIP Score" assigned to each building, based on building violations and liens. A score over 800 indicates that the building is likely in physical and/or financial distress.

Among the top 20 bank lenders with the highest number of buildings in the BIP database, Signature had the most buildings and units with a score over 800 (38 buildings, 732 units). While this represents a small percentage of their portfolio (under 2%), it is a steep jump from the 27 buildings and 594 units they had back in September 2015. They also have 124 buildings (5%) and 1,069 units (1.6%) where the ratio of the more hazardous Class B & C housing code violations to units is greater than or equal to 4.

	All		**BIP >=800**				**BC:units >=4**			
	Bldgs	**Units**	**Bldgs**		**Units**		**Bldgs**		**Units**	
Customers Bank	438	12,200	11	2.5%	295	2.4%	28	6.4%	332	2.7%
Wells Fargo	333	26,566	6	1.8%	72	0.3%	36	10.8%	266	1.0%
Signature	**2,474**	**64,936**	**38**	**1.5%**	**732**	**1.1%**	**124**	**5.0%**	**1,069**	**1.6%**
M&T	349	15,858	4	1.1%	98	0.6%	9	2.6%	82	0.5%
People's United Bank	380	11,924	3	0.8%	106	0.9%	15	3.9%	176	1.5%
Capital One	1,454	59,303	11	0.8%	265	0.4%	32	2.2%	395	0.7%
Ridgewood	410	6,578	3	0.7%	84	1.3%	19	4.6%	172	2.6%
FNB of Long Island	352	8,725	2	0.6%	65	0.7%	11	3.1%	153	1.8%
Apple Bank	359	19,592	2	0.6%	117	0.6%	7	1.9%	185	0.9%
Flushing	1460	22,341	8	0.5%	282	1.3%	80	5.5%	629	2.8%
Valley National	395	19,117	2	0.5%	14	0.1%	9	2.3%	67	0.4%
Astoria Bank	1,447	51,805	7	0.5%	201	0.4%	30	2.1%	254	0.5%
Investors	1,125	25,410	4	0.4%	100	0.4%	43	3.8%	398	1.6%
Chase	3,036	77,188	9	0.3%	185	0.2%	114	3.8%	1,019	1.3%
New York Community	3,870	175,996	10	0.3%	359	0.2%	28	0.7%	465	0.3%
Dime	1,584	40,941	4	0.3%	75	0.2%	34	2.1%	319	0.8%
Santander	1,200	57,560	3	0.3%	117	0.2%	15	1.3%	168	0.3%
BankUnited	469	13,812	1	0.2%	8	0.1%	12	2.6%	107	0.8%
NCB	346	15,868	0	0.0%	0	0.0%	1	0.3%	10	0.1%
Maspeth	330	2,929	0	0.0%	0	0.0%	13	3.9%	95	3.2%

We also analyze loans made to landlords who consistently appear on public watchlists. Based on information from tenant organizers, the landlords profiled in this report are or have been known to engage in various problematic practices. Some of them appeared on the Public Advocate's Worst Landlord List and others have been identified by tenant organizers directly, including but not limited to those targeted by the Stabilizing NYC coalition. Alarmingly, Signature appears to hold the loans on 61 multifamily buildings (5+ units) on the NYC Public Advocate's Worst Landlord List.

The Chart below shows loans Signature currently holds and the number of rent-regulated units lost in the buildings between 2007–14. We understand that these buildings may have changed ownership over time and that Signature did not necessarily hold the mortgage over the specified period of time; but the chart generally reflects the extent of at-risk affordable units within Signature's multifamily portfolio, and the urgent need to pay particular attention to preserving rent-regulated housing in all buildings in the bank's portfolio. Certainly more affordable units have been lost since 2014.

Case studies follow.

Analysis of a subset of landlords on public watchlists								
	Signature					**all by landlord**		
	Bldgs	**Units**	**Rent-regulated 2014**	**Rent-regulated lost 2007-14**	**% lost**	**Rent-regulated 2014**	**Rent-regulated lost 2007-14**	**% lost**
Joel Kohn (9th Worst Landlord List)	73	940	425	-267	-38.6%	635	-445	-41.2%
A&E Realty	65	3066	2254	-517	-18.7%	7162	-1625	-18.5%
Icon	20	379	180	-108	-37.5%	608	-492	-44.7%
Ved Parkash (4th on Worst Landlord List)	20	1380	1356	-10	-0.7%	4198	-253	-5.7%
Alma Realty (Efstathios Valiotis is 3rd on Worst Landlord List)	18	381	182	-29	-13.7%	3949	-1702	-30.1%
BCB	18	238	211	-10	-4.5%	496	-115	-18.8%
Moshe Piller (4th on Worst Landlord List in 2015)	14	822	811	0	0.0%	2661	-6	-0.2%
Ink Properties (Robert Kaydanian is 54th on Worst Landlord List)	11	82	42	-24	-36.4%	93	-92	-49.7%
Michael Niamonitakis (6th on Worst Landlord List)	11	310	271	-29	-9.7%	2268	-334	-12.8%
All Year Management	10	162	15	-45	-75.0%	298	-418	-58.4%
Raphael Toledano / Brookhill Propertiess	5	116	74	-12	-14.0%	302	-74	-19.7%
Steve Croman (indicted on 20 felony counts by Attorney General)	3	47	25	0	0.0%	988	-646	-39.5%
Coltown Properties	2	52	51	0	0.0%	822	-123	-13.0%
Total Signature Portfolio	**2474**	**64936**	**42175**	**-7941**	**-15.8%**			

**** Signature also collateralized 16 buildings(294 units) owned by Toledano for a term loan Sept 2015 – July 2016 – Madison Realty Capital made the mortgages, which are now in foreclosure***

Data from BIP Dec 2016 and ANHD's Displacement Alert Project

Case Studies on Individual Landlords financed by Signature Bank

Case Study: Collateral loan to Madison Realty Capital: Raphael Toledano

Landlord: Raphael Toledano / Brookhill Properties
Buildings: "Tabak Portfolio" – 16 buildings in the Lower East Side

223 East 5th St, 229 East 5th St, 231 East 5th St, 233 East 5th St, 235 East 5th St, 228 East 6th St, 66 East 7th St, 27 St Marks Place, 334 East 9th St, 253 East 10th St, 323-325 East 12th St , 327 East 12th St, 329 East 12th St, 510 East 12th St, 514 East 12th St

Financing: Madison Realty Capital made a mortgage to Toledano in September 2015; **Signature Bank** made a term loan on that same day to Madison Realty Capital using these buildings as collateral

- Page 17 of the mortgage document says the loan is in default *"if Mortgagor does not expend at least $2,000,000.00 of the Loan proceeds to improve the Mortgaged Property, including without limitation, on tenant buyouts and renovations"*

Scenario

In September of 2015, private equity lender **Madison Realty Capital** loaned Toledano $124 million to buy 16 buildings throughout the East Village. He paid just $97 million for the portfolio[2]. News coverage has documented some of the risky lending patterns that Madison Realty Capital maintains[3]. *The Real Deal* later quoted a veteran real estate investor regarding this particular deal[4], saying that Madison Realty Capital's $124 million loans to Toledano left him "over leveraged," and that Toledano is now "pushing up rents to pay off a high mortgage." One of the mortgages went as far as to require him to spend $2 million of the loan exclusively on tenant buyouts or renovations – practices which often trigger huge rent increases[5]. **Signature Bank played a role here as well**. **On the same day the mortgage was made to Toledano, Signature issued a loan to Madison Realty Capital with this same portfolio held up as collateral.** All of this financing happened despite numerous articles about Toledano's practices.

Indeed, from the time Toledano bought the buildings, the tenants began complaining that they were experiencing harassment and displacement pressure from Toledano and his agents at Brookhill Properties. The alleged problems occurred during the 9 ½ months that Signature held the collateral loan and continue to this day.

The Toledano Tenants Coalition (https://toledanocoalition.wordpress.com/) has thoroughly documented the issues they faced through letters, rallies, press, and communications with elected officials, regulators, and the bank[6]. They include:

- **Lack of essential services like cooking gas (they had no gas over Thanksgiving)[7]**,
- **Aggressive buyouts with no attempts to follow new applicable laws** (Local Laws 81, 82, 83 of 2015);
- **Hazardous and irresponsible construction** that has le d to collapsed ceilings and **high lead dust contamination,** including in buildings with young children[8];
- **Frivolous lawsuits**, **refusal to renew leases**, and other forms of harassment.

[2] https://therealdeal.com/2015/09/10/toledano-buys-16-building-village-portfolio-amid-jungreis-suit/
[3] https://therealdeal.com/issues_articles/friend-to-some-foe-to-others/
[4] https://therealdeal.com/issues_articles/toledanos-fast-and-rocky-ride/
[5] https://a836-acris.nyc.gov/DS/DocumentSearch/DocumentImageView?doc_id=2015091701147016 (page 22 in ACRIS, labeled page 17 at bottom)
[6] https://toledanocoalition.wordpress.com/
[7] https://therealdeal.com/2016/08/05/ice-cream-wars-tenants-protest-free-ben-jerrys-from-raphael-toledano/
[8] http://gothamist.com/2016/05/07/twenty_buildings_owned_by_notorious.php

Toledano's legal troubles and questionable reputation have been highly publicized. Negative press coverage began at least by early- or mid-2015, most notably related to 444 East 13th Street. Just prior to the purchase, Toledano's uncle sued him, claiming he was excluded from the deal[9]. Toledano purchased the building in January of 2015. Numerous press reports and a recorded conversation documented the problems of apparent harassment, aggressive buyouts, hazardous construction, and evictions, culminating in a reported $1 million settlement[10].

There were numerous opportunities for Signature to avoid making the loan to Madison Realty Capital in the first place. And even after making the loan, there were again many opportunities to monitor the loans and what was happening to the tenants in those buildings. The same can be said for Madison Realty Capital, but as a CRA-regulated bank, Signature has an additional obligation to ensure that its loans are preserving stable, affordable housing. The issues continued after Madison Realty Capital paid off the loan and continue to this day.

Photo from The Villager

Signature Bank met with the Toledano Tenants Coalition on Friday, February 3rd. The tenants presented their concerns and a list of best practices they want the bank to adopt. As outlined in the cover letter, the bank sent a response letter on March 7, 2017 in which they did not commit to any of the best practices.

Ultimately, Toledano could not raise the rents fast enough to pay off the mortgage and, ultimately, Madison Realty Capital foreclosed on the buildings. On April 18th, 2017 we further learned that Madison was granted permission for its management arm, Silverstone Properties, to take over management of the buildings. The foreclosure papers and the article reference the many repairs that are needed in the buildings that were never done. "Madison, which has been accused of loan-to-own practices in the past, claimed in its foreclosure filing that Toledano owes roughly $140 million, including $125 million in loans against the 15 properties, plus interest and attorneys' fees. Madison, an investor-lender led by Josh Zegen, Brian Shatz and Adam Tantleff, had provided the financing for Toledano's $97 million purchase of the buildings in September 2015 from the Tabak family. The loan, which critics called overleveraged, was intended to cover future renovation costs in addition to the acquisition."[11]

Building: 97 2nd Ave, Manhattan
Financing: Toledano bought the building for $4,950,000 May 2014 and took out a loan from WNIC 2013 LTC for $4,900,000. This mortgage implies that 3 companies had a stake in the building, but Signature took over the loan just 3 months later and added an additional $100,000 debt to bring it to a $5M loan in Aug 2014. They extended the loan for the same amount in March 2015 ($5M)

Scenario: This was one of Toledano's first purchases, before the Tabak portfolio, and appears to have been a preview of coming attractions. Tenants claimed they faced aggressive buyouts and eviction efforts shortly after Toledano's purchase and Signature's loan. According to one tenant "[Ben] Lebovitz said last year that five of the 10 rent-regulated tenants in his building were served with notices to cure

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[9] https://therealdeal.com/2015/08/27/multifamily-divided-aaron-jungreis-sues-nephew-raphael-taledano/
[10] https://therealdeal.com/2016/05/16/toledano-to-pay-1m-plus-in-settlement-of-ev-tenant-harassment-suit/
[11] https://therealdeal.com/2017/04/17/madison-steps-in-as-manager-of-toledanos-ev-portfolio/

violations or vacate their apartments after Toledano acquired them. Lebovitz's own case was eventually settled"[12]

This loan in particular underscores the shortcomings of Signature's existing underwriting standards. In its March 2017 response letter, the Bank claimed to conduct a LexisNexis search that includes a criminal background check prior to any approving multifamily loan applications. But in this case, the Bank approved Toledano's loan application for 97 2nd Avenue despite multiple red flags. His public criminal record included 2009 charges for "Theft by Deception", involving alleged fraudulent withdrawals from TD Bank, and 2012 charges for aggravated assault and causing bodily harm that eventually lead to convictions[13].

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[12] http://thevillager.com/2015/12/10/toledano-tenants-unite-to-fight-eviction-efforts-in-east-village-buildings/

[13] http://thevillager.com/2016/01/21/an-e-v-landlords-past-assault-conviction-has-his-tenants-more-worried/

Case Study: Ved Parkash / Parkash Tenants Coalition

Tenant organizers at New Settlement Apartments' Community Action for Safe Apartments (CASA) and the Northwest Bronx Community Clergy Coalition (NWBCCC), along with legal support from UJC's Community Development Project, are working with tenants in a set of buildings owned by Ved Parkash. They formed the **Parkash Tenants Coalition** in June 2016 with tenants in 15 of these buildings in order to work collectively to address issues in their homes. Parkash owns about 65 multifamily buildings; Signature currently holds the mortgage on 20 of these buildings. The tenant coalition met with Parkash in July 2016 in an attempt to resolve some of the issues, including protocols to respond in a timely manner. Parkash did seem to honor the agreement at first, but in recent months conditions have reverted and problems persist.

Some of the common complaints from tenants across many Parkash buildings include frivolous lawsuits claiming non-payments or incorrect payments, lack of repairs, insufficient heat and hot water, vermin, and charges for appliances that were permitted going back many years prior to his purchase. This is particularly common with washing machines.

Ved Parkash was named number one on the NYC Public Advocate's List of top 100 Worst Landlords in 2015 and number four in 2016. While he has been in the press more prominently in recent years, his buildings had made headlines long before this. A 2012 fire in one of his buildings left three children and their father critically injured. According to a contemporaneous newspaper article "The building's landlord, Ved Parkash, of Queens, has been fighting allegations that he is a slumlord for more than two decades.[14]"

While many would view Parkash's perch atop the City's Worst Landlords list as an indicator that he is unable to responsibly maintain and manage his existing multifamily portfolio, Signature continued to approve new loan deals allowing Parkash to continue acquiring new buildings. In fact, several of the loan deals appear to have been made while Parkash was still identified as the City's Worst Landlord.

A few examples of buildings on which Signature holds the mortgage:
Building: 1530 Sheridan Avenue, Bronx, NY
Financing: Parkash bought the building in 2014 for $10,450,000 and took out a mortgage for $7,750,000 with Signature at the time of the purchase.

Scenario: CASA has been working in this building since the end of December 2015. In their time there, organizers reported seeing many signs of severe physical distress including: lack of heat and hot water, as well as peeling paint, leaks, vermin, and defective appliances—problems they encountered in many other Parkash buildings. Furthermore, they found that tenants were constantly being taken to court for small amounts of money they believe was not actually owed. Section 8 tenants also complained that Parkash may be reporting false amounts of rent owed, so that HUD sends the tenants threatening notices.

[14] http://nypost.com/2012/06/10/hero-dad-3-kids-in-fire-horror/

The article below highlights a tenant from this building. He lives above the boiler from which steam is escaping into his apartment, causing such severe damage to his ceiling and walls that he took to sleeping in a hotel.
http://bronx.news12.com/news/tenants-of-public-advocate-s-worst-landlord-ved-parkash-complain-of-worsening-conditions-1.11397058

> "Richard Tremble, a tenant at 1530 Sheridan Ave., says that when he called to complain, the person who answered hung up the phone. Tremble says his ceiling and walls are decaying, floors peeling and faucets leaking."

Building: 750 Grand Concourse, Bronx, NY
Financing: Parkash appears to have acquired the building in 1988. There was no listed mortgage until 1997 when he took out $33,598 from M&T Bank. He took out a $5.9M mortgage from North Fork Bank (now Capital One) in 2006 and then took on $11.6 million in debt from Signature in May 2016.

Photo Source: Daily News

Scenario: CASA has been working with tenants at 750 Grand Concourse since September 2015. In fact, ANHD included this case study in Signature's CRA comment letter back when North Fork still held the mortgage. Signature Bank subsequently made this mortgage and the problems continued. In February 2017, 2 tenants fell ill and another individual working in the building's vicinity died from a rat-urine disease that reportedly arose from the rampant infestation in this building!

"I lived at 750 Grand Concourse for 15 years in the basement. I never knew it was an illegal apartment.", said Carlos Chavez, "During that time, the landlord did not fix anything in my apartment. I lived with rats for the whole time I was in the building. In February, I was evacuated after we found out about the disease the rats brought into the building because my landlord, Ved Parkash, never did enough to get rid of the rats. I lived in a hotel in Queens until Tuesday when they said I had to leave and I was displaced. I am now staying with friends because I didn't want to go into the shelter, which only has communal bathrooms and smells like marijuana. All these troubles are due to the negligence of my landlord. But, I can't believe he is still getting loans from Signature Bank. The bank should know what is happening in his buildings."

https://www.nytimes.com/2017/02/15/nyregion/bronx-ny-rat-disease.html

> *The authorities ordered people living in eight illegal apartments in a subcellar at 750 Grand Concourse, one of the buildings where the infections occurred, to vacate the premises, and they have stepped up efforts to combat the rat population through extermination and better garbage management.*

But rats are nothing new at this building and the issues have been well documented.

An article from November 2015 outlines issues in this and the 1530 Sheridan Ave.
http://newyork.cbslocal.com/2015/11/23/worst-nyc-landlords-2015/

> "One resident in a building under Parkash's ownership told 1010 WINS' Sonia Rincon that rats and constant gas leaks are among some of the problems the landlord routinely ignores. "I don't think we should have to live with no heat," she said. "How can you put stoves in here that you know are not functioning right?""

A Daily News article from April 2016 lead with the building's rat problem, foreshadowing the tragedy to come mere months later: http://www.nydailynews.com/new-york/bronx/nyc-worst-landlord-hit-bronx-residents-suit-article-1.2587568

> "Inside a building on the Grand Concourse blocks from Yankee Stadium, Rico Moreno hears rats scratching at his rotting bathroom tiles when he tries to take a shower."

Photo of hole in Laundry Room floor at 750 Grand Concourse

As of April 2017, the building has 346 open HPD violations, including 215 Class B violations and an astounding 49 Class C violations, which are the most hazardous. In fact, HPD recently took steps to obtain an Order to Repair/Vacate against this property, which only occurs "when a property is uninhabitable (either in part or as a whole) due to physical conditions, including lack of essential services, lack of appropriate egress, fire damage or other serious maintenance conditions."[15] There is still a hole in the laundry room floor and the tenants have not had access to that room for almost a year now. The building also has 15 DOB violations, 25 ECB violations, and a partial stop work order, suggesting the extent of building-wide problems. Organizers have witnessed serious leaks, rampant vermin, paint peeling (including lead paint), bathroom appliances detached from the walls, and shoddy repair work. One woman had her toilet and sink removed and dumped in her bathtub in order to "replace tiles," where they remained for several days. In addition, the building greatly needs weatherization and there are holes that lead out into the street, wherein vermin can enter. Finally, tenants have very inconsistent heat and hot water.

Building: 2454 Tiebout Ave, Bronx, NY
Financing: Parkash bought the building in 2012 for $7.7 million. He took out a mortgage of $5.5 million at the time of the purchase and a second subordinate mortgage for $1 million in 2014.

Photo of dead rat at 2454 Tiebout Ave

Scenario: In July 2016, at the time tenants met with Parkash, the building had 271 open housing code violations, including 174 Class B hazardous violations and 18 Class C immediately hazardous violations. These violations included lack of heat and hot water, substantial water leaks, nuisance mold growth, and rodent and cockroach infestations. By December 2016, the open violation count dropped to 104, with 70 Class B and 9 Class C violations. However, it appears this landlord may be clearing open HPD violations without actually correcting underlying causes of physical distress. Last July, "tenants complained about the landlord's 'patchwork' repairs, in which a fresh paint job is used to hide leaks, mold and mildew.[16]" This alarming practice appears to remain in place today, despite the reduced open violation count.

Buildings: 2905 Kingsbridge Terrace & 2988 Kingsbridge Terrace, 11 West 172
Financing: After all of the above information and history with Ved Parkash, Signature Bank financed Parkash's new purchases of 2905 and 2988 Kingsbridge Terrace and 11 West 172, in November 2016 and February 2017 respectively.

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[15] http://www1.nyc.gov/site/hpd/owners/hpd-orders.page
[16] http://www.bxtimes.com/stories/2016/30/30-parkashrally-2016-07-22-bx.html

Case Study: A&E "AREA/Vantage portfolio"

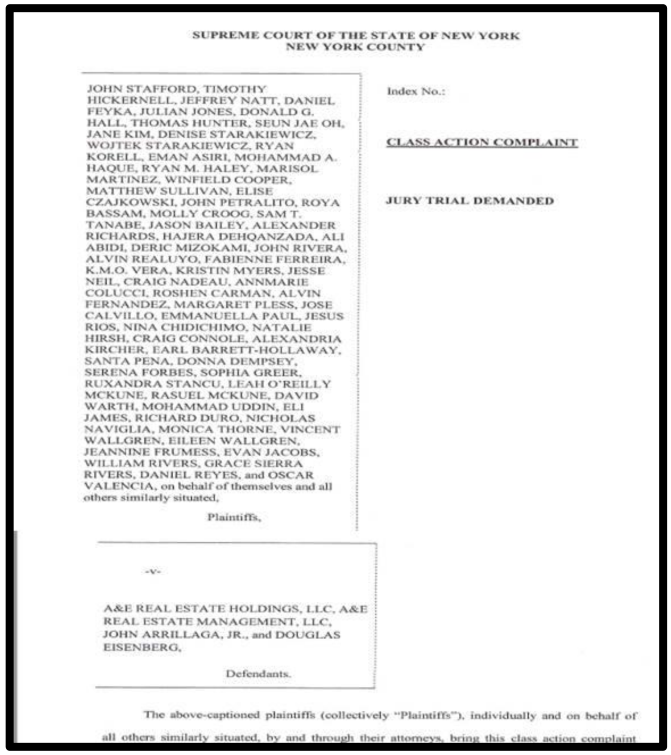
Landlord: A&E Realty
Buildings: "AREA/Vantage portfolio" – 31 buildings in Northwestern Queens (tenant organizers are working in bolded addresses) . Underlined addresses are implicated in a pending class action lawsuit alleging illegal rent overcharges and a systematic fraudulent scheme to deregulate rent-stabilized units.[17]

> 7-30 81 St., **33-51 73 St.,** 32-52 33rd St., 32-06 47th St., 98-30 67th Ave, 32-42 33rd St., 119-21 Metropolitan Ave, 37-06 81st St., 39-19 62nd St., 43-08 40th St., 43-09 47th Ave., 99-60 64th Ave., 41-26 73rd St., 47-02 46th St., 37-37 88th St., 86-02 Forest Parkway, 35-16 34th St., 83-02 34th Ave., 34-10 84th St., **41-25 Case St.**, **83-40 Britton Ave**., 37-25 81st St., 35-65 86th St., **88-36 Elmhurst Ave**., 188-30 87th Dr., 44-08 47th Ave., 47-05 45th St., 37-36 81st St., 39-15 62nd St., 43-23 40th St., 39-11 62nd St.

Financing: In December 2013, A&E bought the portfolio for **$367.3 million** and took out **a $241.6 million** mortgage from Signature. A&E took out an additional **$45.6 million** in debt at the end of 2016.

"A&E Real Estate Holdings is a real estate ownership and management firm founded in 2011 and headed by **Douglas Eisenberg**. Eisenberg was previously with the firm **Urban American Management**, of which his father, Philip Eisenberg, is CEO …. A&E has quickly become one of the largest multifamily players in New York City, having put together multiple high-profile, nine-digit portfolio deals.[18]"

Urban American had garnered notoriety for its practices during the first round of "predatory equity" that lead up to the financial crisis, as ANHD found and documented in their 2009 report of the impact from 2005 to 2009[19].


SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY

JOHN STAFFORD, TIMOTHY HICKERNELL, JEFFREY NATT, DANIEL FEYKA, JULIAN JONES, DONALD G. HALL, THOMAS HUNTER, SEUN JAE OH, JANE KIM, DENISE STARAKIEWICZ, WOJTEK STARAKIEWICZ, RYAN KORELL, EMAN ASIRI, MOHAMMAD A. HAQUE, RYAN M. HALEY, MARISOL MARTINEZ, WINFIELD COOPER, MATTHEW SULLIVAN, ELISE CZAJKOWSKI, JOHN PETRALITO, ROYA BASSAM, MOLLY CROOG, SAM T. TANABE, JASON BAILEY, ALEXANDER RICHARDS, HAJERA DEHQANZADA, ALI ABIDI, DERIC MIZOKAMI, JOHN RIVERA, ALVIN REALUYO, FABIENNE FERREIRA, K.M.O. VERA, KRISTIN MYERS, JESSE NEIL, CRAIG NADEAU, ANNMARIE COLUCCI, ROSHEN CARMAN, ALVIN FERNANDEZ, MARGARET PLESS, JOSE CALVILLO, EMMANUELLA PAUL, JESUS RIOS, NINA CHIDICHIMO, NATALIE HIRSH, CRAIG CONNOLE, ALEXANDRIA KIRCHER, EARL BARRETT-HOLLAWAY, SANTA PENA, DONNA DEMPSEY, SERENA FORBES, SOPHIA GREER, RUXANDRA STANCU, LEAH O'REILLY MCKUNE, RASUEL MCKUNE, DAVID WARTH, MOHAMMAD UDDIN, ELI JAMES, RICHARD DURO, NICHOLAS NAVIGLIA, MONICA THORNE, VINCENT WALLGREN, EILEEN WALLGREN, JEANNINE FRUMESS, EVAN JACOBS, WILLIAM RIVERS, GRACE SIERRA RIVERS, DANIEL REYES, and OSCAR VALENCIA, on behalf of themselves and all others similarly situated,

Plaintiffs,

-v-

A&E REAL ESTATE HOLDINGS, LLC, A&E REAL ESTATE MANAGEMENT, LLC, JOHN ARRILLAGA, JR., and DOUGLAS EISENBERG,

Defendants.

Index No.:

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

The above-captioned plaintiffs (collectively "Plaintiffs"), individually and on behalf of all others similarly situated, by and through their attorneys, bring this class action complaint

One example was highlighted in the NY Times
http://www.nytimes.com/2008/10/16/nyregion/16building.html

> "Mr. Outlaw is among hundreds of residents at 3333 Broadway — which until three years ago was in the state's Mitchell-Lama program for moderate-income housing but is now charging market-rate rents — who say the new owner is systematically harassing them in hopes of replacing them with higher-paying tenants."

More recent articles indicate that A&E may be continuing this trend and using similar tactics to apparently harass and push out long-term tenants.

> https://www.dnainfo.com/new-york/20170124/washington-heights/ae-real-estate-holdings-affordable-housing-nyc-tax-breaks

[17] https://topclassactions.com/lawsuit-settlements/lawsuit-news/347503-nyc-tenants-file-illegal-rent-inflation-class-action-lawsuit/
[18] https://therealdeal.com/new-research/topics/company/ae-real-estate-holdings/
[19] http://anhd.org/wp-content/uploads/2016/01/Predatory_Equity-Evolution_of_a_Crisis_Report.pdf

"A&E ranked 18th in the city for eviction attempts based on the data from the Public Advocate's office that Rentlogic obtained through ProPublica."… "Nearly 70 current and former tenants across 22 A&E buildings filed a lawsuit — which is seeking class action status — in October claiming the company illegally raised rents of stabilized units and falsified paperwork with the state."

Public data shows that Signature holds the mortgage on 13 of the buildings listed in the above-referenced class action litigation, more than any other lender.

https://therealdeal.com/2016/10/18/tenants-sue-ae-real-estate-claiming-inflated-rents/
"Dozens of current and former tenants in 22 buildings owned by A&E Real Estate Holdings filed a lawsuit against the landlord on Tuesday claiming it "blatantly" violated rent-regulation laws."

"According to the lawsuit, filed in Manhattan State Supreme Court, A&E regularly misrepresented the costs of improvement to apartments, which allowed the company to raise rents, remove rent-stabilized apartments from the rolls and charge market-rate rents. The firm denies the allegations."

https://therealdeal.com/issues_articles/ae-takes-its-spot-in-the-sandbox/
"… since 2013, A&E has been hit with at least 16 lawsuits, largely alleging illegal rent overcharging and construction work negligence, according to TRD analysis of court documents.

Three of the rent overcharge suits against A&E were dismissed, records show. But two of the suits have raised questions — at least among some advocates — about A&E's ethos."
…
"When asked about A&E's rapid growth, a spokesperson for the AG said, "We are aware of other complaints against the company, and we encourage anyone subject to harassment or illegal practices to contact our office.""

Scenario Today
Tenant organizers from Asian Americans For Equality (AAFE) are working in four of these buildings in Elmhurst and Corona and have found very concerning conditions. The four buildings are 33-51 73rd St., 41-25 Case St, 83-40 Britton Ave, and 88-36 Elmhurst Ave

The tenants in **41-25 Case St** recently wrote a letter to A&E documenting specific issues, including incidents of crime, gang activity, and drugs; broken security cameras and intercoms; persistently dirty carpets, a broken garage door, and other building maintenance issues; vermin infestation in the garbage disposal; and inadequate heat.

Tenant organizers report similar problems and more in the other buildings. In addition to physical conditions, they report high turnover rates, excessive vacancies, and aggressive rent increases via Major Capital Improvements (MCIs) and Individual Apartment Increases (IAIs).

Organizers report that the conditions are worst in **33-51 73rd St**. where it appears that nearly half of the building is vacant. They find that the newer tenants appear to be more white and higher-income than the longer-term working-class, immigrant tenants. They have also heard from tenants regarding issues of crime, gang activity, drugs, and broken security cameras in the buildings within the Elmhurst and Corona neighborhoods.

Case Study: A&E Realty Jackson Heights

Landlord: A&E Realty
Building: 94-02 35th Ave. (mailing addresses 35-03 95th St. and 35-08 94th St)

Financing: In October 2015, A&E bought the building for **$22 million** and took out **a $14 million** mortgage from Signature.

Scenario: Chhaya CDC is working with tenants in this building where they have witnessed a number of potential improprieties, including what appears to be “construction as harassment”. This means doing construction in a way that causes harm to tenants and affects their living situation. In these buildings, the elevators are routinely out of order and the construction causes dust contamination.

While this construction is going on, individual tenants have complained that they are not getting needed repairs and that the common areas are in a constant state of disrepair, such that tenants have taken to cleaning their own hallways and do their own repairs. Even worse, when the landlord got word of tenants organizing, the lobby was cleaned while the floors above remained dirty. Organizers have also heard anecdotal reports that HPD inspectors may have been turned away when they attempted to investigate tenants’ 311 complaints.

NYC DOB Records show that this building has 12 open, Class 1 and Class 2 violations from recent years. Complaints have to do with the elevator not functioning properly, electrical problems, and scaffold and construction safety issues. They currently have two active Work Without Permit violations that were issued in 2016: one was a Class 1 violation resulting from a June 2016 safety sweep; the other was a Class 2 violation that the landlord tried to certify as corrected in November 2016 without having still obtained required work permits.

In addition to repair issues, we see evidence of potential tenant harassment. Court cases indicate a high number of evictions proceedings were filed, including against tenants who appear to be receiving subsidies and services from social service providers. Several eviction cases appear to have been discontinued after initial appearances, potentially indicating they were meritless. At the same time, the lack of legal representation appears to have led to actual evictions, presumably for the most vulnerable populations.

Case Study: Ink Properties

Ink Properties' Robert Kaydanian is #54 on the NYC Public Advocate's list of 100 Worst Landlords. Key people in the firm include Eden Ashourzadeh, Alexander Kahen, and Robert Kaydanian.

Buildings: 53 Montrose & **243 Jackson Street**
Financing: Ink purchased **53 Montrose** for $1.97M in May 2016 with a $1.825M mortgage by Signature. Ink then went on to purchase **243 Jackson Street** for $3.1 million in June 2016 with a $2.325M mortgage by Signature.

Scenario:
In both cases, tenants allege they heard that Ink wanted the buildings emptied before they purchased them. The prior landlord reportedly sent people door-to-door in both buildings to offer buyouts and push tenants out. In 243 Jackson Street, the effort was successful – only two tenants remain, one of which receives a Section 8 subsidy, and to whom the landlord apparently made it clear that he wants her out. In 53 Montrose, the eight units remain rent-regulated.

53 Montrose has ongoing repair issues. As of December 2016, **53 Montrose had a BIP score of 2,597** (anything over 800 indicates physical and/or financial distress). Organizers report that Ink is doing some work, but it's not significant. Currently there are 100 open HPD violations, of which 71 are the more serious Class B, C, and I violations (52 Class B, 17 Class C, and 2 Class I). The building is in the Alternative Enforcement Program due to the landlord's persistent neglect of these issues.

Case Study: 64 Graham / 77 Varet

Building: 64 Graham / 77 Varet
Financing: This building appears to have had the same owner since 1986 until April 2017. 77 Varet sold to a new owner on April 5th for $11.5 Million. Signature made a loan for $6.5M. Signature made a mortgage of $3.18M to the original owner in Sept 2012. The last mortgage prior to that was for $1M, made by Roslyn Savings Bank in 2003. Roslyn was bought by New York Community Bank that same year.

Scenario:
Organizers at St. Nicks have been working with the tenants for a number of years, all of whom are Latino, and many of whom are low-income and immigrants. 28 of the 30 units are rent-regulated. The building appears to be in severe physical distress. As of the latest release of the BIP database in December 2016, the building had a BIP score of 3,652, up from 1,849 in September 2016. Current HPD data shows 177 open violations, the vast majority of which are the more serious Class B, C, and I violations: 117 Class B, 34 Class C, and 1 Class I. The building is currently in the Alternative Enforcement Program (AEP).

Case Study: Icon

Icon Realty is the target of tenant organizers in Manhattan and into Brooklyn. The Stabilizing NYC coalition named Icon as one of their first "target landlords" because of their practices that meet the coalition's "predatory equity" criteria. Icon has received extensive press coverage for practices of apparent demolition as harassment, as well as aggressive harassment tactics to push out lower-rent paying, rent-regulated tenants.

More stories on Icon's practices.

- 222 East 12th st: http://evgrieve.com/2014/09/security-guards-and-stop-work-orders.html
- Icon and other predatory equity lenders: http://pix11.com/2015/08/18/worst-landlords-in-new-york-city/
- 56 West 11th St: http://nycitylens.com/2014/10/house-full-of-trouble/

Building: 128 2nd Ave
Financing: M&T made the original loan to Icon in 2013 for $7.5M. After much of the damage had been done, in 2016 Signature refinanced the building and put on additional debt, raising the mortgage to $10.3M in 2016

Scenario:
Through buyout offers, construction, and persistent lack of services such as heat, hot water, and even functional stairs, the landlord managed to displace the majority of rent-regulated tenants, which has resulted in the loss of housing for these tenants and a permanent loss of affordable housing – vacant units now go for $4,000 and up. This is just one example of the tactics utilized by Icon. Residents of 128 2nd Ave and 133 East 4th St. went more than five months without gas in 2015.

Building: 36 Linden St, Brooklyn
Financing: Icon bought August 2015 for $10.5M. Signature made a $7M mortgage

Scenario:
Tenants in this building consistently endured activities that appear to constitute harassment starting from the date when Icon bought the building in the summer of 2015. According to tenant reports, a woman posing as an NYPD officer went around handing out eviction papers. Later, the construction began, which led to a loss of essential services, including cooking gas and heat and hot water. It went so long that a judge required Icon to provide tenants with individual hot pots.[20] Throughout all of this, tenants were not able to get basic repairs they needed, including repairing broken windows and clearing mold.

In January 2016, DOB's Executive Inspection Unit performed a "Safety Sweep" and issued numerous Class 1 ("Immediately Hazardous") violations, a "Work Without Permit" order, and a "Partial Vacate" order based upon findings of unsafe and unpermitted construction work. Among other findings, DOB inspectors cited Icon's attempt to connect new gas lines to existing gas lines without having ever obtained DOB approval for such work.

[20] https://therealdeal.com/2016/08/03/judge-orders-icon-realty-to-give-bushwick-residents-electric-stoves/
(photos above are from this article)

Rather than focus on bringing the construction project into compliance with DOB Orders, in February 2016 Icon instead applied for a special "override" of the outstanding Work Without Permit Order, in order to continue construction work in other parts of the building. To date, there remain 4 outstanding Class 1 (i.e., "Immediately Hazardous") DOB violations at 36 Linden for which no compliance has been recorded. Additionally, in October 2016, DOB rejected Icon's sworn certification that they had corrected a fifth Class 1 violation concerning illegal partitions and basement occupancies.

More stories on Icon
(http://www.boweryboogie.com/2016/06/icon-realty-principal-faces-potential-criminal-charges-false-filings-dob/)

Case Study: Former Marolda Buildings

In November 2016, the Attorney General's office announced an investigation into Marolda Properties, due to their practices in a set of buildings they owned in Chinatown and the Lower East Side. According to the AG's office *"The lawsuit, filed in New York Supreme Court, alleges that Marolda Properties and the other defendants improperly sought to evict rent-regulated tenants by serving notices and bringing proceedings in housing court falsely alleging that the tenants no longer occupied the premises as their primary residence. The lawsuit also alleges that defendants refused to renew tenants' legally-required leases, overcharged and failed to account for rent paid by tenants, did not conduct necessary and proper repairs and renovations, and engaged in other harassing, deceptive and retaliatory behavior."* [21]

But Marolda's practices were covered in the press long before the investigation began. A Village Voice article from October 2014 outlines their practices and highlights what happened to the Eng Family in 90 Elizabeth Street. According to the article, the Engs had lived in their apartment since 1970, but were accused of not living their full-time and thus not entitled to the rent-stabilized unit. "Marolda's favorite tactic, Grinthal says, were the "non-primary-residence" cases like the one brought against the Engs, which accuse a longtime tenant of not actually living there. … While it sounds ludicrous, in the case of the Marolda tenants, it's a strategy that has been very effective."[22]

Signature currently holds the mortgage on six buildings formerly owned by Marolda Properties and, according to tenant organizers, some of the same issues are re-surfacing in some of the buildings.

One example that made the papers was in 90 Elizabeth Street.

Building: 90 Elizabeth Street, Manhattan
Financing: Marolda bought the building in 2013 for $3.35 million. James Fong bought it in 2015 for double that amount at $6.5M and Signature made a mortgage of $2.6M

According to the article: "Mr. Fong, who owns multiple buildings in the Chinatown area, purchased 90 Elizabeth Street in June of this year from previous predatory landlord Marolda Properties. Since the takeover, conditions in the already-distressed building have gotten even worse than before. Mr. Fong

[21] https://ag.ny.gov/press-release/ag-schneiderman-files-lawsuit-against-property-management-company-and-landlords
[22] http://www.villagevoice.com/news/how-can-new-york-stop-the-citys-worst-landlords-6668011

has engaged in dangerous demolition and construction work that has compromised the structural integrity of the building and caused heaps of dust and debris to enter tenants' apartments, resulting in serious coughing and breathing issues for the residents. Fire retardant materials that were ripped out of vacant apartments under his predecessor still have not been replaced, putting building residents at risk."[i]

Given what these tenants went through with Marolda, the bank has a moral obligation to ensure that the remaining tenants in the same buildings are treated with the utmost respect and care.

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[i] http://www.legalservicesnyc.org/news-and-events/press-releases/881-residents-of-90-elizabeth-street-fight-back-against-predatory-landlord-james-fong