THE STATE OF BANK REINVESTMENT IN NEW YORK CITY:

2018

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

Association for Neighborhood & Housing Development

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ANHD builds community power to win affordable housing and thriving, equitable neighborhoods for all New Yorkers. As a coalition of community groups across New York City, we use research, advocacy, and grassroots organizing to support our members in their work to build equity and justice in their neighborhoods and city-wide. ANHD values justice, equity and opportunity. We believe in the importance of movement-building that centers marginalized communities in our work.

Since our founding in 1974, ANHD has been helping to make New York City's community development and grassroots neighborhood-based groups among the most effective in the country by providing comprehensive training, robust capacity-building and apprenticeship programs, and high-impact policy research.

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Association for Neighborhood & Housing Development

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EXECUTIVE SUMMARY

Each year, the Association for Neighborhood & Housing Development (ANHD) produces this report to help communities, banks, legislators and bank regulators and allies understand the impact of the Community Reinvestment Act (CRA) at a local level. **This year's report comes at an especially important moment, as regulators are contemplating some of the biggest changes to the CRA in over 20 years.**

Passed in 1977, the CRA is one of the most important laws we have to encourage banks to lend equitably and to partner with nonprofits and governments to support community development in low-income communities. Under the CRA, banks have a continuing and affirmative obligation to safely and responsibly help meet the credit needs of the lower-income people in the neighborhoods in which they do business. If a bank takes deposits or does business in a neighborhood, it must provide all of its services equitably and support community and economic development efforts that benefit the same populations.

Since its passage, the CRA has leveraged trillions of dollars in low-income communities nationwide. Each year, billions of dollars are reinvested in New York City, where the CRA has fostered one of the most comprehensive ecosystems in the country to build and preserve affordable housing and support community development. ANHD estimates that since the CRA's passage, over 330,000 units of affordable housing have been built in New York City, thanks in part to private loans and investments leveraged by the CRA. The CRA has led to numerous CRA agreements and partnerships, including new products and practices that have benefited low-income and immigrant communities.

We strongly urge the regulators to preserve the fundamental place-based approach of the CRA, with its focus on lower-income people and communities, and to expand it so as to increase access to credit, banking, and resources for low-income people of color and immigrant communities.

At the same time, there is more to be done to protect the communities and people that the CRA was designed to support. Historically redlined communities – low-income, people of color, immigrants – still have trouble accessing basic bank accounts and obtaining home and small business loans. Racial disparities in lending persist, and bad actor landlords too easily get access to speculative financing that exacerbates harassment, poor living conditions, and displacement.

Barely 10 years have passed since the great recession of 2008, which was a direct result of irresponsible behavior by financial institutions that targeted and misled poor borrowers and, disproportionately, people of color with expensive and unsustainable loans. Congress was forced to bail out large banks in order to stabilize our financial system, and then enacted systemic and consumer protections through the Dodd–Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). Ideally, at the federal level we would be working towards ways to build upon these advances, but instead we are defending them as forces in Washington roll back these protections by reducing oversight, rolling back consumer protections, and reducing transparency.

Within this context, ensuring the reforms being proposed to the CRA is all the more critical. While we know there are many areas where the CRA can be updated and improved upon, some aspects of the new "modernization" efforts proposed by the Office of the Comptroller of the Currency (OCC) could have disastrous consequences, particularly if the OCC decides to reduce CRA down to just one large numerical goal, while also and reducing the focus on branch locations reaching lower-income people and communities. **We strongly urge the regulators to preserve the fundamental place-based approach of the CRA, with its focus on lower-income people and communities, and to expand it so as to increase access to credit, banking, and resources for low-income people of color and immigrant communities.**

This report analyzes the CRA activity from calendar year 2017 for 24 banks that operate in New York City, including some of the largest banks in the country. We include some additional data in the narrative to provide more recent context.

SUMMARY OF TRENDS & FINDINGS

1. Deposits and the Reinvestment Quantity & Quality Indexes: **Local deposits continue to increase, but reinvestment declined sharply, down nearly 30%.** Deposits overall are up less than 1% from the prior year, and up 25% from 2014 to 2017, reaching $1.23 trillion. From 2016 to 2017, deposits increased 4.6% among retail banks and 5.9% outside of Manhattan. Half of all banks increased deposits but decreased reinvestment in New York City. And only five banks reinvested over 5% of their local deposits, down from 11 in 2016. Ten of 24 banks had a quality score over "3".

Change in Deposits and Reinvestment 2014-17 ($ billions)*

	2014	2015	2016	2017	2014-17	2016-17
Deposits	$990	$1072	$1224	$1233	25%	0.7%
Core Consumer & Commercial Lending	$6.46b	$5.20b	$5.87b	$4.09b	-37%	-30%
Community Development Reinvestment	$5.60b	$5.63b	$7.12b	$5.25b	-6.2%	-26%
Total Reinvestment	$12.1b	$10.8b	$13b	$9.3b	-23%	-28%

*Table includes only banks for which 4 years of data were made available to ANHD

2. Branches and Bank Products: **The overall number of branches among banks in this study is down by just three, and down 7% in lower-income tracts. Some banks closed branches, while others opened; the distribution of branches remains inequitable.** Core Manhattan is inundated, while lower-income neighborhoods still lack sufficient branches and ATMs. The Bronx is still the most unbanked area in the City, though 2017 saw a net increase of three branches. Five branches closed in lower-income tracts overall and 11 opened. Some new accounts appear more accessible to lower-income New Yorkers, but many remain out of reach. Overdraft fees declined slightly, but were still well over $6 billion. At six banks, including two of the largest banks, overdraft fees accounted for over 40% of the banks' service fees and at two banks, they make up over 10% of consumer transactional deposits. While many banks accept New York City's municipal identification card, IDNYC, as secondary identification, no bank in this study accepts it as primary identification.

3. Multifamily Lending: **This category of lending declined sharply again** among the banks in this study, both overall and this year in lower-income neighborhoods (down 26% overall and 29%, in LMI tracts). This is distressing but in-line with general commercial mortgage lending trends. The number of multifamily loans qualifying for community development declined 29% and the dollars were down 36%. **While percentages of buildings documented as being in physical distress remain low, we know from experience that many buildings where harassment and displacement occur do not appear on distressed lists; if a landlord successfully displaces tenants, the building may never fall into distress.** Rising rents and sales prices – especially in historically more affordable neighborhoods – increase the pressure on lower-income tenants, putting

them at risk of displacement. But banks and non-bank lenders continue to lend to known bad actor landlords. **Responsible lending by banks should not fuel displacement; banks can work with tenants and tenant organizers so they can proactively ensure that tenants in their buildings are protected and respected.** New tools exist to identify bad-acting landlords and hold banks accountable for supporting them, but they must be enforced.

4. **<u>1-4 Family Lending</u>:** The number of home purchase loans among banks in this study was relatively stable from 2016-17, hovering over 14,150 loans but still below the 16,300 in 2013 levels. **Lending to lower-income borrowers decreased by 8%, barely staying over 1,000 loans**, well below the 1,400 loans in 2013. As CRA-regulated banks are pulling out of 1-4 family lending, **the rise of non-bank lenders continues**, particularly in refinance loans Federal Housing Administration (FHA) lending. **This trend threatens to undermine CRA goals** because nonbank lenders are not covered by the same regulatory oversight, including the CRA. Nearly 30% of home purchase loans and over 55% of refinance loans were made by non-bank lenders, as well as over 90% of FHA home purchase loans and refinance loans. Meanwhile, **racial disparities persist**. 22% of New Yorkers are Black and 29% Hispanic, yet fewer than 8% of home purchase loans in NYC went to Black or Hispanic borrowers. The vast majority of banks in our study performed worse than that; at each of the "Big Four" banks (Wells Fargo, Chase, Bank of America, and Citibank), fewer than 5% of their home purchase loans were to Black borrowers, and at or below 7% were to Latino borrowers of any race in 2017.

5. **<u>Community Development Lending & CRA-Qualified Investments</u>: The amount of money dedicated to community development loans and investments decreased by nearly 30%.** The most notable decline was in Low Income Housing Tax Credits (LIHTC), one of the most important sources of financing for affordable housing in New York City. **Among banks for which we have data from 2013 to 2017, LIHTC investments are at their lowest level in five years. Additionally, LIHTC dollars are down 25% from 2016.** The uncertainty leading up to the eventual tax cuts at the end of 2017 likely drove much of this decline. In 2017, lending to nonprofits decreased in volume and dollar amount. However, in the midst of this decline, we are pleased to note that the number of community development loans to neighborhood-based community development corporations (CDCs) increased.

6. **<u>Economic Development & Small Business Loans</u>: The dollar amount of community development loans, investments, and grants for economic development all decreased in 2017.** As in prior years, the investments are concentrated in just a few banks: the majority made no investments for economic development, 13 made community development loans for economic development, and 14 made grants. **But quality matters as much as quantity, and there is some positive news on that front.** We are pleased to see banks continue to engage with nonprofit developers and the City to use and support the City's new Industrial Developer Fund to support affordable manufacturing space. Among banks in this study, small business lending increased close to or over 50% overall and in low- to moderate-income tracts. However, much of that was driven by Chase's credit card loans which now capture revenue size; excluding Chase's credit cards, the number of loans decreased and the dollars increased much less.

7. **<u>CRA-Eligible Philanthropic Grants</u>: CRA-eligible grant dollars increased slightly in 2016.** Grants were up 2.7% by volume, but down 8% by dollar in 2017. The trend of consolidation, with larger grants going to fewer organizations, continues, but not at the same scale as in prior years. Most banks continue to dedicate less than one tenth of one percent of their local deposits to grants. Grant-making to neighborhood-based organizations decreased 14% by volume, but increased 43% by dollar in 2017; much of that increase was driven by a large grant at one bank. **At four of the largest banks and almost all of the smaller banks, at or over a third of grants were to neighborhood-based organizations.**

SUMMARY OF RECOMMENDATIONS

- Banks should maintain and increase the quantity of investment in low- and moderate income (LMI) communities and benefiting LMI people. CRA investments have been a critical tool in these communities and they must continue

- Improve bank practices and CRA exams to better emphasize the *quality* of investments, not only quantity. Impact on community can and should be measured. The CRA must prioritize and promote activities that enable LMI people, immigrants, and people of color to access deep, permanent affordable housing, affordable homeownership, quality jobs, and ultimately better financial stability through the range of CRA-eligible activities. The CRA must do a better job at preventing displacement and penalizing activities that fuel displacement.

- Nonprofit mission driven developers, CDFI's, and local neighborhood-based organizations are uniquely situated to identify and respond to local emerging and long-term needs. Banks should ensure that their CRA dollars are directed to such organizations.

- Although the CRA is race-neutral – focusing on LMI communities as opposed to communities of color – the law was passed in 1977 on the heels of other major federal civil rights legislation that explicitly aimed to end discrimination on the basis of race, including the Fair Housing Act (1968) and the Equal Credit Opportunity Act (1974). Both the CRA and the Home Mortgage Disclosure Act (1975) were, within this broader context, seen as tools to support and stabilize low-income communities of color. But today, racial disparities remain in lending, and multifamily lending to bad actors who displace tenants disproportionately impacts low-income people of color. The CRA should explicitly evaluate how well banks are serving people and communities of color, in addition to examining how well they are serving LMI people and communities.

- A continued focus on branches and affordable, accessible, culturally sensitive products and services are critical for the communities the CRA is designed to serve.

- To perform these deeper qualitative assessments and foster ongoing relationships with local nonprofits, CDCs, and other actors, banks should create and maintain strong and locally based community development teams. With this expertise, banks will be able to leverage CRA investments more effectively and have a greater impact on LMI communities.

- Ensure that any efforts to reform the CRA build upon and strengthen the core of the existing law it, particularly the place-based focus and commitment to LMI communities. Reform efforts must not weaken the law in any way. (See page 42 for a summary of ANHD's recommendations for CRA reform.)

INTRODUCTION

This is the ninth edition of the State of Bank Reinvestment in New York City report from the Association for Neighborhood and Housing Development (ANHD). ANHD produces this report each year to help communities, legislators, and regulators understand the impact of the Community Reinvestment Act (CRA) at a local level. The CRA was passed over 40 years ago, in 1977, and states that banks have a continuing and affirmative obligation to help meet the credit needs of the low- and moderate-income people and neighborhoods in which they do business, consistent with safe and sound business practices. If a bank takes deposits or does business in a neighborhood, it must provide all of its services equitably and support community and economic development efforts that benefit the same populations.

The CRA is one of the most important laws we have to encourage banks to lend equitably and to partner with nonprofits and governments to support community development in low-income communities. The CRA has fostered one of the most comprehensive ecosystems in the country here in New York City to build and preserve affordable housing. ANHD estimates that since its passage, over 330,000 units of affordable housing have been built in New York City alone, thanks in part to private loans and investments leveraged by the CRA. New York City's Department of Housing Preservation and Development (HPD) estimates that for every dollar of public investment, the City leverages $4 in private investment, also due in part to the CRA obligations banks have in New York City[1].

The CRA has leveraged trillions of dollars in low-income communities nationwide; Reports like this one document billions of dollars reinvested each year in New York City alone. The CRA has fostered numerous CRA agreements and partnerships, including new products and practices that benefited low-income, immigrant communities. At the same time, there is more to be done to protect the communities and people that the CRA was designed to support. Historically redlined communities – low income, people of color, immigrants – still have trouble accessing basic bank accounts and obtaining home and small business loans, racial disparities in lending persist, and bad actor landlords too easily get access to financing which leads to harassment, poor living conditions, and displacement.

The 2008 financial crisis was a direct result of irresponsible behavior by financial institutions that targeted and misled poor and minority communities with expensive and unsustainable loans. Congress was forced to bail out large banks in order to stabilize our financial system, and then enacted more systemic protections through the Dodd-Frank Act. The Dodd-Frank Act also put in place systems to protect consumers, including the creation of the Consumer Financial Protection Bureau (CFPB), requirements for safer residential mortgages, separation of investment and banking, and capital requirements to ensure banks are better able to absorb losses.

Yet, rather than expanding consumer protections, the new administration is doing just the opposite. Over the past two years, the Administration and Congress have been working to roll back, defund, and dismantle bank regulations. One bill already passed that significantly reduces the number of banks that will report expanded mortgage data under the Home Mortgage Disclosure Act (HMDA) and raises the asset-size threshold of banks five-fold for greater scrutiny. In recent years, the CFPB has also worked to halt and rollback key consumer protections, including rules related to payday lending and fair lending reviews; they have yet to implement key regulation on transparency in small business lending.

1 Joint CRA comment letter by NYC Department of Housing Preservation and Development and Department of Consumer Affairs, retrieved from: https://www.regulations.gov/document?D=OCC-2018-0008-0651

In March 2018, the U.S. Treasury Department issued a set of recommendations to modernize and update the CRA.[2] ANHD's analysis of those recommendations concluded that they contained "The Good, the Bad, and yet-to-be-seen." In general, the details were too vague to come to a meaningful conclusion.[3] Five months later, just before Labor Day 2018, more details emerged as the Office of the Comptroller of the Currency (OCC) officially began the process to "modernize" the CRA. The OCC, which regulates the largest banks in the country, issued an Advanced Notice of Proposed Rulemaking (ANPR) with a set of questions and ideas about ways to modernize the CRA, but some of their concepts threaten the very heart of the law and could weaken it in substantial ways. Further, they did this alone, without the other federal regulators at the FDIC and Federal Reserve Board. During the comment period, ANHD members and advocates, as well as banks, industry groups, and individuals nationwide, weighed in on the key proposals outlined in the ANPR. The overwhelming majority of advocates, and even many banks, opposed the OCC's "one-ratio" idea, which would reduce all of CRA to one simple metric of dollars invested as compared to bank size as measured, for example, in deposits, assets, or tier one capital.

It is in this context that ANHD and advocates nationwide have been working to protect the CRA and to strengthen and expand protections that ensure historically redlined communities have equal access to banking and credit, support community development, and are protected from displacement.

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HISTORICAL CONTEXT OF THE CRA

The CRA was passed in response to redlining and severe disinvestment. Redlining is the term used to describe government instituted racist practices in how it guaranteed loans through the Federal Housing Administration. Starting in the 1930s, people of color were denied credit in their own neighborhoods and others deemed "risky" solely based on who lived in those neighborhoods. Banks continued these trends decades later, often withdrawing from low-income and minority neighborhoods. Where banks still had a presence in low-income minority communities, they refused to make loans to people in those neighborhoods and reduced investment in urban neighborhoods. One only need to look at photos of the "burning Bronx" in the 1970s to see what disinvestment looks like and to understand that readily available, sound lending is critical to a healthy housing market and community.

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

2 https://home.treasury.gov/sites/default/files/2018-04/4-3-18%20CRA%20memo.pdf
3 https://anhd.org/blog/cra-modernization-recommendations-treasury-department-are-good-bad-and-yet-be-seen

THE CRA TODAY

Since 1977, the banking industry has undergone massive consolidation, two major collapses, and is now increasingly dominated by multi-regional, national, and international institutions. While signs of disinvestment and disparate practices certainly persist today, another concern is over-investment that threatens to displace lower-income tenants and leave behind lower-income New Yorkers who can no longer afford to live in the City due to rising rents and a lack of good-paying jobs.

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

THE FUTURE OF THE CRA

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

ANHD believes that bank reinvestment-related activity – lending, investments and services directed towards low- and moderate-income residents and neighborhoods – should be substantial, and in proportion to each bank's locally-held deposit base. We compare all banks to one another broadly and to their peers as the largest retail banks ($50 billion or more in assets), smaller retail banks (fewer than $50 billion in assets) and wholesale banks. For purposes of the CRA, "low-income" is defined as 50% Area Median Income (AMI) and moderate-income as 80% AMI, and in most cases is based on decennial census data. The 2017 AMI was $73,700; this put "low-income" at $36,850 and "moderate-income" at $58,960. However, *incomes for New York City have historically been lower than the regional AM*I. And, of course, income levels vary greatly from neighborhood to neighborhood, with the majority of New Yorkers earning well below 80% AMI. **We encourage banks to support projects that benefit lower incomes than just those defined as LMI under the CRA**.

METHODOLOGY & STRUCTURE OF THIS REPORT

ANHD looks at the broad spectrum of reinvestment activity in the 2017 calendar year. We look at "core CRA lending data" for 1-4 family home purchase and refinance loans to low- and moderate-income borrowers, as well as multifamily community development loans and multifamily and small business loans in low- and moderate-income census tracts. We also analyze community development reinvestment activities, which are community development loans, CRA-qualified investments and CRA-eligible grants to build and rehabilitate affordable housing, create jobs, provide services, and revitalize neighborhoods. This report analyzes year-to-year performance of these activities, as well as deposits, staffing, and branching.

Consistent with our belief that quality matters as much as quantity, we refrain from providing one overall ranking. Instead, we continue to use the more nuanced version of the reinvestment index to assess the banks' volume of reinvestment dollars loaned and invested and compare the quality of that lending based on factors we believe indicate a strong commitment to local communities.

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

OVERVIEW OF THE COMMUNITY REINVESTMENT ACT (CRA)

This is a very high-level overview of a very complicated law. The details vary greatly, but the premise is simple: banks must support low- and moderate-income people and communities in the areas where they do business, through (1) Access to Banks & Banking, (2) Fair & Affordable Lending, and (3) Support for Community Development.

What is the CRA? The CRA states that banks have a continuing and affirmative obligation to help meet the credit needs of the low- and moderate-income people and neighborhoods in which they do business, consistent with safe and sound business practices.

If a bank takes deposits or does business in a neighborhood, it must provide banking and loans equitably and reinvest a portion of those deposits to support local community development needs. The CRA focuses primarily on (1) home, multifamily, and small business loans; (2) bank branches and services; and (3) community development loans and investments that benefit low-and moderate-income (LMI) communities and individuals, as well as small businesses and farms.

What is "community development"? Community development under the CRA consists of activities targeting LMI people and communities to increase access to affordable housing; provide community services, including financial education; promote small businesses and economic development; and revitalize or stabilize communities.

Which institutions are evaluated under the CRA? All deposit-taking banks are evaluated under the CRA. The exams vary based on asset size (small, intermediate small, or large banks); wholesale and limited purpose banks are also evaluated separately. Banks have the option of including non-bank affiliate loans on their exam. All other non-bank lenders and fin-techs are not evaluated under the CRA, nor are credit unions.

Who conducts CRA evaluations? The CRA is a federal law and New York State has a similar law for state-chartered banks. The CRA requires that each institution's record be evaluated periodically, typically every 2-4 years.

- National-chartered banks are examined by the Office of the Comptroller of the Currency (OCC).
- State-chartered banks are examined by the Federal Reserve Board or Federal Deposit Insurance Corporation (FDIC).
- New York State-charted banks are also examined by the NYS Department of Financial Services (DFS).

See Appendix C for the regulators that evaluate the banks in this study.

Why does the CRA matter to communities?
The CRA is one of the most important laws we have to encourage banks to lend equitably and to partner with nonprofits and governments to support community development in low-income communities. The CRA is the reason why banks make grants to local community organizations, why they make home loans to low-income borrowers and provide financial assistance, why they partner with developers to build and preserve affordable housing. The CRA brings banks to the table to address community needs. The CRA has also fostered effective partnerships and products to support economic development, homeownership, community services, and more.

The CRA also provides a framework to comment on a bank's record of serving communities, and a means for banks and regulators to intervene when a bank isn't doing enough and/or its activities are causing harm.

Why does CRA matter to Banks?
A bank's CRA record is taken into account when a bank wants to merge with another institution, combine bank affiliates, or open new branches. Banks cannot merge or open new branches if they fail their CRA exam and can be required to do more if their performance is sub-par. Public comments matter! Banks can also benefit from the CRA, including a positive reputation and new business partners.

HOW BANKS ARE EVALUATED

Assessment Areas: Banks are evaluated within geographic areas known as Assessment Areas, which are currently based upon where banks have branches. These are typically all or some of counties that comprise Metropolitan Statistical Areas (MSA) or Metropolitan Divisions (MD) where branches are located, but they could also be another configuration of contiguous census tracts within these areas. They may also have a state-wide assessment area that evaluates lending in a particular state, outside of the MSA/MD assessment area. Banks that have branches that span multiple MSAs will have multiple assessment areas. Banks establish their own assessment areas, but regulators must ensure that they do not exclude LMI census tracts.

- Banks will typically receive more in-depth "full-scope" evaluations in assessment areas where they have the majority of their branches or deposits and "limited-scope" evaluations in other assessment areas.
- Online banks, wholesale banks, and limited purpose banks with just one branch will typically only be evaluated in one assessment area around that branch location, even if they do business nationwide. In limited cases, regulators have looked at lending beyond those areas.

What regulators evaluate: Large banks with assets over $1.25 billion are evaluated under the "Large bank" test, which has three component tests: a lending test (50%), investment test (25%) and service test (25%). Small banks (< $313 million assets) and Intermediate small banks ($313 million - $1.25 billion assets) are evaluated on a subset of this data; Limited Purpose and Wholesale banks are only evaluated on community development lending and investments.

- **Lending Test:** Evaluates distribution of mortgages in LMI tracts and to LMI borrowers where appropriate: 1-4 family homes and multifamily buildings; distribution of small loans to businesses (loans under $1 million) by loan size, LMI tract distribution, and lending to small businesses (revenue under $1M); quantity of community development lending; and analysis of whether the bank's loans and lending practices and products are considered **Innovative and/or responsive to community needs**.
- **Investment Test:** Evaluates the quantity and quality (innovativeness/ responsiveness) of investments, including Tax Credits like LIHTC, NMTC; Deposits in CDFI's/CDCU's; EQ2 investments; bond purchases, and philanthropic grants.
- **Service Test:** Evaluates the distribution of **bank branches** in LMI tracts; the impact of branches closed and opened; impact of variations in services offered, cost, hours of operation, and language; and evaluation of **community development services**, such as volunteer hours, technical support, and positions on boards with organizations dedicated to community development

CRA Ratings: Banks get multiple ratings throughout a CRA exam:
- Within assessment areas, and for the bank overall, banks get a rating for each component test, which then make up the final rating.
- **Passing Rating:** Outstanding or Satisfactory (can be a high satisfactory or low satisfactory for component tests)
- **Failing Rating:** Needs to Improve or Substantial Noncompliance

It is extremely rare for a bank to fail a CRA exam. **Roughly 98% of banks pass their CRA exams each year** with a Satisfactory or Outstanding rating. Most get Satisfactory. However, as outlined by our assessment, this scoring may not necessarily present an accurate description of how well they are carrying out the true goals of the CRA.

DEPOSITS, & REINVESTMENT QUANTITY INDEX & QUALITY SCORE

BACKGROUND

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

CRA regulators use a combination of deposits, assets, and Tier 1 Capital to estimate their expectation for the volume of a bank's CRA activities. While this may be the best indicator for determining the entirety of a bank's CRA commitment, ANHD believes that a bank's *local* deposit base is a better method for determining reasonable levels of reinvestment for individual assessment areas like New York City. For this reason, **ANHD's benchmarks for lending and investments are tied to the banks' local deposits in New York City**. In order to match yearly reporting to the FDIC, we use deposits as of June 30th of each year.

ANHD's benchmarks for lending and investments are tied to the banks' local deposits in New York City.

We recognize that our system for analyses is still an imperfect system too due to both the fluctuation of deposits and the changing nature of banking and the business of banks. This is especially true when it comes to some of the largest banks – given the lack of other local data such as Tier 1 capital or the amount of business done specifically in New York City. Still, we believe our method is overall the most straightforward and objective system that best reflects reinvestment in NYC specifically. For example, Wells Fargo is the third largest deposit holder in the nation, but only 8th highest in NYC, with deposits well below that of the other "Big Four" banks (Chase, Bank of America, and Citibank). This relatively low local deposit base is because of its small branch presence – only 21 branches versus closer to 150 or more for other large banks. However, they remain a major player in the home lending market, making the most home purchase loans of all lenders, and a significant lender in other areas. By our measure, it has a smaller obligation than banks that have larger branch networks and deposit bases. Chase is at the other end of the spectrum, with the largest local deposit base by far, and thus the largest CRA obligation. Though this may be a little misleading, given the large volume of business deposits held *in* New York City that come from *outside* the City, because other banks also book out-of-town business deposits in the City, we believe that comparing institutions in this way is reasonable.

Our system also serves to hold accountable any bank with a presence in our City, even if New York City is not one of that bank's main assessment areas. That said, we treat wholesale banks differently because they do not have a traditional branch and deposit structure like the retail banks and thus we use their national deposits for the benchmark.

ASSESSED CATEGORIES OF ACTIVITIES

We separate activities broadly into two categories: 1) community development reinvestment, and 2) core consumer and commercial lending reinvestment.

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

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

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

Core Consumer and Commercial Lending Reinvestment typically relates more to a bank's main business and should be analyzed for volume, quality, and fair lending. Our indicators incorporate:

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

Not all banks make multifamily, 1-4 family, *and* small business loans. Though such limited portfolios are commonplace, ANHD is concerned about the number of banks that are pulling out of certain businesses – for example, the overall decline in 1-4 family lending – and the choice of many retail banks not to offer the range of products that New Yorkers need. This is an area that should be explored further in the context of the CRA.

That being said, within any loans that banks *do* originate, they must lend equitably and responsibly to lower-income borrowers and neighborhoods. For example, a bank that originates 1-4 family mortgages should lend at sufficient volumes and also have dedicated staff and affordable products that give lower-income borrowers the best chance of successful homeownership through pre-purchase counseling and financial assistance. Likewise, banks that originate multifamily loans should ensure that the loans are responsibly underwritten and made to landlords that will preserve affordability, maintain the properties, and respect the rights of the tenants.

USE OF QUANTITY INDEX & QUALITY SCORES

The quality of reinvestment matters just as much as volume, and this report goes to great lengths to measure both. Rather than create one overall ranking for each bank, ANHD has developed a **Quantity Index** to assess the banks' volume of reinvestment dollars loaned and invested, and a **Quality Score** to compare the quality of that lending based on factors we believe indicate a strong commitment to local communities. The Quantity Index measures overall reinvestment volume, comparing the full range of reinvestment lending and investments to locally held deposits. This gives us a way to evaluate who is leading in terms of volume of reinvestment and who is leading in how loans, investments, and services meet the needs of lower-income residents and communities. The overall reinvestment Quality Score evaluates how the banks' loans, investments, and services compare to one another on a range of factors that have an impact beyond the dollar amount. We also incorporate Branch distribution and staff in the Quality Scores. For the Quality Score analysis, we excluded banks that made fewer than 10 loans in any core lending category.

<u>Details About the Quantity Index</u>: When evaluating the volume of a bank's reinvestment activity, we compare the dollars loaned and invested to its locally held deposit base, which we believe is a good proxy for its obligation to New York City. Using the definitions above, we created an Overall Quantity Index, which is the sum of two individual indexes: *1) Community Development Quantity Index*, and *2) Core Consumer and Commercial Lending Quantity Index*. We do recognize that some community development loans and investments may take longer to close, resulting in some fluctuations in community development indexes from year to year. Also, ANHD uses multifamily community development loans in the quantity index, rather than loans in LMI tracts. While both are important, multifamily loans submitted for community development credit are a better indication of how well banks are, or should be, paying attention to these factors. They are also more likely to receive greater scrutiny under the CRA as to how well they are meeting the needs of lower-income people or neighborhoods.

OVERALL QUANTITY INDEX

<table>
<tr>
<td>Community Development

Quantity Index

Dollar amount of community development lending, CRA-qualified investments, and CRA-eligible grants

÷

Total volume of local deposits</td>
<td>+</td>
<td>Core Consumer and Commercial

Quantity Index

Home purchase and refinance loans to low- and moderate-income (LMI) individuals

borrowers, small business loans in LMI tracts & multifamily community development loans

÷

Total volume of local deposits</td>
</tr>
</table>

<u>Details About the Quality Score</u>: We evaluate banks based on their performance relative to one another on a variety of factors that indicate the investment is likely to have a larger impact than simply the dollar amount. This also enables us to compare service and responsiveness to lower-income communities where there is not a dollar amount associated with such services. For example, loans and investments to nonprofits in general, and to community development corporations (CDCs) in particular, are typically more impactful than loans and investments to for-profit entities. This is because CDCs are locally controlled nonprofits committed to providing permanent affordable housing with deep affordability and ancillary services that go beyond housing to strengthen and empower families and communities. But an assessment of the overall volume of reinvestment cannot capture these added benefits; CRA–eligible grants are the only investment for which banks do not get a direct return on investment and, because they are so much smaller than other loans and investments, they do not carry much weight in the reinvestment Quantity Index. For that reason, we include the percentage of CRA–eligible grants relative to total deposits in the Quality Score.

The overall Quality Score is calculated based on three individual scores: Community Development, Core Consumer & Commercial Lending, and Service/Responsiveness. Within each score, banks are awarded points for each question based on the median value of all banks within their respective classification (larger, smaller, and wholesale banks). Banks with values +/– 20% of the median get a score of 3 points, banks below that range get a 1, and banks above it get a 5. A bank gets a 0 for any question for which the bank failed to provide any information that could not also be found in public sources. Points for all questions within each factor are averaged together to get three individual quality scores, which are then averaged together to calculate the overall reinvestment Quality Score. (Note: wholesale banks do not receive scores related to branching in the Service/Responsiveness score and do not receive a Core Consumer & Commercial Lending score)

OVERALL QUALITY SCORE (AVERAGE OF THESE THREE INDIVIDUAL SCORES)

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

PRINCIPLES

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

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

TRENDS & FINDINGS

- **Deposits remained static overall; they increased just 0.7%. Retail bank deposits held in New York City increased 4.6% overall. Wholesale bank deposits declined 10%.**

TABLE 1: DEPOSITS IN ALL FIVE BOROUGHS (b)

	2013		...	2016		2013-16		2017		2016-17	
	National Deposits (BHC)	NYC Deposits		National Deposits (BHC)	NYC Deposits	% change National	% change NYC	National Deposits (BHC)	NYC Deposits	% change National	% change NYC
Largest	$4156	$594		$4870	$830	17%	40%	$5156	$863	5.9%	3.9%
Smaller	$127	$40.53		$170	$61.31	34%	51%	$173	$69.47	1.8%	13%
Total Retail Banks	**$4283**	**$634**		**$5041**	**$892**	**18%**	**41%**	**$5330**	**$933**	**5.7%**	**4.6%**
Wholesale	$309	$228		$469	$333	52%	46%	$433	$300	-7.7%	-9.7%
Total	**$4592**	**$863**		**$5510**	**$1224**	**20%**	**42%**	**$5763**	**$1233**	**4.6%**	**0.7%**

Deposits among the major New York City banks continued to increase, but much more slowly than prior years. Among the 24 banks in our study, deposits went up just 0.7% from $1.22 trillion in 2016 to $1.23 trillion in 2017. We treat wholesale banks differently because they do not have a traditional branch and deposit structure like the retail banks. We use their national deposits for the benchmark. In order to match annual reporting to the FDIC, we use deposits as of June 30th of each year. Among the retail commercial and savings banks only, deposits increased 4.6% from $892 billion to $933 billion. In 2017, this increase lagged the increase nationwide, which was 5.7% among retail banks.

Unlike last year, when nearly all banks increased deposits, only four of the nine largest retail banks with assets over $50 billion increase their locally held deposits in 2017. Wells Fargo's deposits increased the most – up 16% from $15 billion to $18 billion, bringing them closer to 2015 levels. Chase and TD Bank increased 8.3% and 5.8%, respectively. Meanwhile, M&T and Santander's deposits decreased by 11% and 17%, respectively.

TD Bank and Bank of America continue the trend of opening branches, and their deposits appear to be increasing accordingly. For Bank of America, however, the increase shows up in the outer borough deposits, as their total NYC deposits decreased slightly. Capital One continues to close branches and, unlike last year, their deposits decreased as well, but only by 2.4%. Collectively, the smaller banks' deposits increased more in 2017 than any other group, up 13%. Only Emigrant decreased deposits, down 31%. The largest increases in deposits at the smaller banks were BankUnited (up 110%), Sterling (up 30%) and Dime (up 24%). Sterling alone increased 137%, but that dropped to a 30% increase when combined with Astoria. Sterling closed 11 branches in 2016 and deposits dropped considerably, but they were back up again in 2017.

- **Retail bank deposits held in New York City increased 5.9% outside of Manhattan.**

TABLE 2: OUTER BOROUGHS (20 RETAIL BANKS): BRONX, BROOKLYN, QUEENS, AND STATEN ISLAND (b)							
	2013	2014	2015	2016	2013-16	2017	% change 2015-16
Largest	$74.22	$76.94	$83.38	$90.11	21%	$95.36	5.8%
Smaller	$22.53	$23.11	$24.14	$29.78	32%	$31.64	6.3%
Total	$96.75	$100	$108	$120	24%	$127	5.9%

Trends in deposits outside of Manhattan are almost certain to be locally sourced, and thus more reflective of how banks are serving local residents and businesses. Whereas banks in Manhattan are more likely to also include business deposits sourced outside of the state, particularly for large banks with headquarters or large presences here, such as Chase, Citibank, and HSBC. For example, as HSBC closed offices nationwide in prior years, they booked more deposits in New York City, thus driving the increase in Manhattan. Their deposits increased by 86% citywide from 2013 to 2017, but the increase seems to have plateaued in 2016 as they declined 7% from 2016 to 2017. Whereas outside Manhattan, their deposits declined 25% from 2013 to 2017, but we see they increased slightly year over year, from 2016 to 2017. While most other large bank deposits outside of Manhattan are well above their 2013 levels and five banks increased their deposits from the year before, four banks' deposits declined from 2016 to 2017. M&T's were down 16%, followed by Santander which was down 12%.

TABLE 3: NEW YORK CITY DEPOSITS IN AND OUTSIDE OF MANHATTAN 2013-17 ($ BILLIONS)											
All New York City Deposits							Outer boroughs				
Largest	2013	2016	2017	2013-17	2016-17		2013	2016	2017	2013-17	2016-17
Bank of America	$47.55	$65.49	$64.89	36%	-0.9%		$2.85	$4.44	$5.12	79%	15%
Capital One	$22.86	$26.79	$26.13	14%	-2.4%		$9.06	$9.55	$9.53	5%	-0.2%
Chase	$377	$489	$530	41%	8.3%		$26.75	$34.83	$38.60	44%	11%
Citibank	$56.24	$91.40	$91.51	63%	0.1%		$15.27	$17.55	$18.15	19%	3.4%
HSBC	$53.28	$107	$99.31	86%	-7.3%		$7.15	$5.03	$5.39	-25%	7.1%
M&T Bank	$2.67	$4.15	$3.71	39%	-11%		$0.33	$0.89	$0.75	128%	-16%
Santander	$8.13	$11.91	$9.94	22%	-17%		$6.87	$9.15	$8.09	18%	-12%
TD Bank	$13.28	$18.84	$19.93	50%	5.8%		$5.86	$8.58	$9.65	65%	13%
Wells Fargo	$13.26	$15.47	$17.94	35%	16%		$0.09	$0.10	$0.10	4.1%	-3.2%
Smaller											
Apple	$6.76	$7.22	$7.47	10%	3.4%		$3.53	$3.65	$3.83	8%	4.8%
BankUnited	$0.07	$2.04	$4.30	5729%	110%		$0.00	$0.01	$0.01	*from 0*	-22%
Dime	$1.97	$2.86	$3.54	79%	24%		$1.97	$2.86	$3.54	79%	24%
Emigrant	$0.85	$0.78	$0.58	-31%	-25%		$0	$0	$0	0%	0%
Flushing	$1.21	$1.53	$1.69	39%	10%		$1.10	$1.32	$1.45	32%	10%
NYCB	$5.80	$9.99	$10.42	80%	4.3%		$5.40	$9.57	$10.03	86%	4.7%
Popular Community	$2.50	$3.68	$4.20	68%	14%		$1.16	$1.15	$1.23	6%	8%
Ridgewood	$2.74	$2.79	$2.87	4.9%	2.8%		$2.59	$2.64	$2.72	5.1%	3.1%
Signature	$11.41	$23.67	$26.19	130%	11%		$2.48	$4.41	$4.63	87%	4.8%
Valley National	$1.60	$2.29	$2.38	49%	4.2%		$0.37	$0.61	$0.63	69%	3.4%
Sterling	$5.61	$4.46	$5.82	3.7%	30%		$3.92	$3.56	$3.57	-8.9%	0.3%
Wholesale											
BNY Mellon	$119	$138	$126	6.0%	-8.6%						
Deutsche Bank	$30.26	$41.40	$32.63	7.8%	-21%						
Goldman Sachs	$65.38	$114	$91.90	41%	-19%						
Morgan Stanley	$13.74	$39.49	$49.56	261%	26%						

While the percentages vary by bank, collectively in all years, over 85% of all 24 banks' total deposits are in Manhattan and over 70% at 12 of the banks in our study. Wealth in New York City has long been concentrated in Manhattan and the income gap continues to grow. It is imperative that as bank deposits rise citywide, that bank reinvestments rise as well and be distributed equitably, with particular emphasis on low-income, minority, and immigrant people and communities throughout New York City who have been historically disproportionately impacted by banking practices and inadequate protections.

- **Deposits remained essentially static – they went up less than 1% – yet reinvestment dollars decreased 28% in 2017. Core Consumer & Commercial Reinvestment decreased 30% and Community Development Reinvestment decreased 28%. Just five banks have a Quantity Index over 5%, down from 10 in 2016.**

2016 Quantity Index	2017 Quantity Index
Reinvestment dollars: $13.2 billion / Deposits: $1.22 trillion	Reinvestment dollars: $9.3 billion / Deposits: $1.23 trillion
Total Quantity Index = 1.08%	Total Quantity Index = 0.76% (⇩)
Average Quantity Index = 4.9%	Average Quantity Index = 3.0% (⇩)
Median Quantity Index = 1.9%	Median Quantity Index = 1.3% (⇩)

TABLE 4: OVERALL REINVESTMENT DOLLARS 2014-17 (BILLIONS)						
	2014	2015	2016	2017	2014-17	2016-17
Deposits	$990	$1072	$1224	$1233	25%	0.7%
Core Consumer & Commercial Lending	$6.46b	$5.20b	$5.87b	$4.09b	-37%	-30%
Community Development Reinvestment ($)	$5.60b	$5.63b	$7.12b	$5.25b	-6.2%	-26%
Total Reinvestment ($)	$12.1b	$10.8b	$13b	$9.3b	-23%	-28%
Note: Analysis includes only banks for which ANHD has four years of data.						

Note: Analysis includes only banks for which ANHD has four years of data.

TABLE 5: REINVESTMENT DOLLARS BY CATEGORY 2016-17 ($ MILLIONS)				
	2016	2017	2016-17	# banks 2016-17
Multifamily *Lending in LMI Tracts (for reference)*	$9887	$6677	-32%	20
Multifamily Community Development Lending	$5294	$3388	-36%	15
Small Business Loans in LMI tracts*	$301	$477	59%	20
Home Purchase Loans to LMI borrowers	$190	$176	-7.2%	20
Refinance Loans to LMI borrowers	$82.17	$50.47	-39%	19
Community Development Lending	$4850	$3083	-36%	18
CRA Qualified Investments	$2198	$2088	-5.0%	18
CRA-eligible Grants	$70.07	$72.00	2.7%	18
**Chase reported revenue size on its credit card loans in 2017, driving much of the increase (they never had before)*				

Community reinvestment dollars decreased rather sharply in 2017, down 29%. Core Consumer & Commercial Lending decreased by 30% and Community Development Reinvestment decreased 28%. The decline was across the board, in all categories except for small business loans in LMI tracts and grants. As will be discussed more later on, the small business increase is mainly due to improvements in how Chase, and to a smaller extent Santander, tracks small business loans. Excluding those banks, dollars still increased, but the number of loans decreased. Our survey also revealed sharp drops in many categories, with the sharpest drops in refinance lending, community development lending and multifamily community development lending. Many banks decreased their LIHTC dollars, some referencing the uncertainty over the Tax *Cuts and Jobs* Act *of 2017* tax reform law that has since passed.

The decline in multifamily community development lending was almost across the board, with just a few banks increasing lending. As rents and sales prices continue to rise, it is critical that banks lend to support multifamily affordable housing – deed-restricted and rent-stabilized – and to do that lending responsibly.

In 2017, only seven banks increased reinvestment dollars. In fact, 12 banks increased deposits and decreased reinvestment dollars. BankUnited's deposits more than doubled while their reinvestment dollars were down 75%. When factoring in Astoria's reinvestment dollars from 2016, Sterling's reinvestment declined 33% in 2017, which is concerning as we expect a merger to lead to more investment and not less. We hope that the 2018 numbers, a full year post-merger, reflects that increase. At Morgan Stanley Private Bank, deposits increased 26% while reinvestment declined 47%. Goldman Sachs's deposits declined by 19% and its reinvestment dollars were down 52%.

Of the banks that did increase reinvestment, Santander increased the most by 64%, followed by Bank of America at 45% and BNY Mellon at 43%. TD Bank increased, too, up by 11% and Deutsche Bank by 10%. Ridgewood increased 16% in 2017.

As we shared in last year's report, Santander's increased reinvestment reflects its new "Inclusive Communities" plan in action. The plan commits $11 billion over five years with specific commitments to the broad spectrum of CRA activities: home lending, responsible multifamily lending, small business lending, branches and branch products, and community development loans, investments and grants.[4] The plan was developed in consultation with the National Community Reinvestment Coalition (NCRC) and over 100 community groups throughout their footprint, including ANHD and some of its members. **Santander has been taking meaningful steps to improve upon its record with new dedicated CRA and community development staff to deploy these dollars**. They also convene advisory committee meetings nationally and regionally every quarter to review progress and discuss needs and opportunities.

Santander has been taking meaningful steps to improve upon its record with new dedicated CRA and community development staff to deploy these dollars.

The collective $9.3 billion in reinvestment dollars equals 0.76% of total local deposits, a drop from the 1.08% in 2016. The average and median percentages declined as well. Only five banks had a quantity reinvestment index over 5% in 2017, down from 12 in 2016. Among the largest banks, only M&T reinvested over 5% of its local deposits (8.1%). Santander and Capital One each exceeded 3% in 2017, but Capital One was over 5% in 2016. Citibank dropped from 2% down to 0.7%.

Just four of the smaller banks exceed the 5% of deposits, down from eight in 2017. Given that many are commercial lenders that tend to have smaller deposit bases and do larger deals, this decline is significant. New York Community Bank's reinvestment has dropped to 12.5% of their deposits, down from 15% in 2016 and well below their high of over 50% of local deposits. Flushing was at 12%, up from 11% in 2016. Sterling reinvested 4.9% of deposits, down from 9.6% in 2016. Ridgewood's reinvestment dollars increased to 7.4% of local deposits, up from 6.5% in 2016.

4 "Santander and NCRC Announce $11 Billion 'Inclusive Communities' Plan," National Community Reinvestment Coalition (Nov. 1, 2017), https://ncrc.org/santander-announces-inclusive-communities-plan-new-11-billion-five-year-community-commitment/.

TABLE 6: OVERALL REINVESTMENT DOLLARS AND QUANTITY INDEX BY BANK 2017 ($ MILLIONS)

	Deposits ($ billions)		Community Development		Core Consumer Lending		Overall Reinvestment Dollars		Overall Quantity Index	
	Deposits	% change 2016-17	CD Reinv	CD Index	Core Reinv	Core Index	Reinv.	% change 2016-17	Quantity Index	% change 2016-17
Largest										
M&T	$3.7	-11%	$285	7.67%	$17	0.45%	$301	-29%	8.12%	-20%
Santander	$10	-17%	$90	0.90%	$284	2.86%	$374	64%	3.76%	97%
Capital One	$26	-2.4%	$306	1.17%	$531	2.03%	$837	-46%	3.20%	-45%
TD Bank	$20	5.8%	$344	1.73%	$48	0.24%	$392	11%	1.97%	5%
Bank of America	$65	-0.9%	$435	0.67%	$42	0.06%	$827	45%	1.27%	46%
Citibank	$92	0.1%	$541	0.59%	$136	0.15%	$676	-62%	0.74%	-62%
Wells Fargo*	$18	16%	$0	0.00%	$54	0.30%	$54	-20%	0.30%	-31%
Chase	$530	8.3%	$509	0.10%	$407	0.08%	$916	-26%	0.17%	-32%
HSBC*	$99	-7.3%	$0	0.00%	$23	0.02%	$23	-34%	0.02%	-29%
Smaller										
NYCB	$10	4.4%	$154	1.48%	$1145	11%	$1300	-14%	12%	-18%
Flushing	$1.69	10%	$17	0.98%	$179	11%	$195	13%	12%	2.9%
Ridgewood	$2.87	2.8%	$11	0.37%	$201	7.00%	$212	16%	7.38%	13%
Signature*	$26	11%	$651	2.48%	$769	2.94%	$1420	-26%	5.42%	-33%
Sterling	$5.82	30%	$155	2.66%	$132	2.28%	$287	-33%	4.93%	-49%
Valley National	$2.38	4.2%	$61	2.58%	$29	1.20%	$90	-67%	3.79%	-68%
Emigrant	$0.58	-25%		0.00%	$14	2.35%	$14	-4%	2.35%	28%
BankUnited	$4.30	110%	$43	1.00%	$13	0.30%	$56	-74%	1.30%	-88%
Dime	$3.54	24%	$8.59	0.24%	$31	0.87%	$39	-84%	1.11%	-87%
Apple	$7.47	3.4%	$0	0.00%	$37	0.49%	$37	-53%	0.49%	-54%
Popular Comm.*	$4.20	14%		0.00%	$2	0.04%	$1.61	-99%	0.04%	-99%
Wholesale										
Deutsche Bank	$33	-21%	$200	0.61%	*Not Applicable*		$200	10%	0.61%	39%
BNY Mellon*	$126	-8.6%	$544	0.43%			$544	43%	0.43%	56%
Goldman Sachs	$92	-19%	$365	0.40%			$365	-52%	0.40%	-41%
Morgan Stanley	$50	26%	$184	0.37%			$184	-47%	0.37%	-58%

**Limited data*

- **Quality Score: Ten banks scored over 3 in 2017, up from seven in 2016.**

As outlined below, the Quality Score was introduced to complement the Quantity Index to reflect how well those dollars are deployed. No single tool can capture every aspect of good community development; a more nuanced score can help highlight specific areas of strength and where a bank has room for improvement. Santander, for example, ranks above 3 in its core lending, indicating they are lending equitably compared to their peers, but its service and community development scores indicate it has room for improvement in branching and some aspects of its bank products, as well as lending with nonprofits. To its credit, Santander's *Inclusive Communities* CRA plan is addressing many of these areas, and since the close of the data period reflected in this report, Santander has opened new branches in LMI tracts and is taking steps to implement the full *Inclusive* plan.

TABLE 7: 2017 QUALITY SCORE

	Core	Comm. Devt	Service	Total			Core	Comm. Devt	Service	Total
Largest						**Smaller**				
Capital One	4.60	3.67	2.00	3.42		Sterling	3.80	3.42	3.00	3.41
M&T	3.20	3.67	3.00	3.29		Flushing	4.33	1.82	3.75	3.30
Chase	3.20	3.00	3.50	3.23		Ridgewood	2.75	3.67	3.00	3.14
TD Bank	3.67	2.83	3.00	3.17		NY Community	3.80	1.83	3.50	3.04
Citibank	2.33	2.67	3.50	2.83		Signature	3.33	2.09	2.00	2.47
Santander	3.20	2.67	2.00	2.62		Valley National	1.20	3.67	2.50	2.46
Bank of America	1.67	1.75	3.50	2.31		Apple Bank	1.00	1.83	4.50	2.44
HSBC	2.00	0.14	2.75	1.63		Dime	1.00	2.33	3.50	2.28
Wells Fargo	1.11	0.14	1.25	0.83		BankUnited	1.67	3.33	1.50	2.17
Wholesale						Popular Community	2.00	0.14	3.75	1.96
Deutsche Bank		3.00	4.00	3.50		Emigrant	3.00	0.14	0.67	1.27
Morgan Stanley	N/A	3.00	4.00	3.50						
Goldman Sachs		2.27	3.00	2.64						
BNY Mellon		1.20	2.00	1.60						

Capital One and M&T stand out for having relatively high overall Quantity Indices and high Quality Scores. Chase, too, has a high Quality Score, but lower Quantity Index. All three are lending equitably relative to their peers in most areas. Capital One's service score is lower, indicating room to improve in branching patterns and access to banking. We are very disappointed, however, that Capital One discontinued its residential mortgage lending, which will limit the impact it has on local communities. Citibank, too, ranks close to 3, and ranks near or above 3 in community development and service. It has been making greater progress in lending to nonprofits and CDCs and also making more grants to neighborhood-based organizations. Chase still does not report on loans to CDCs or grants to neighborhood-based organizations. Anecdotally, we understand Chase continues to support CDCs through its loans, but we still hear from ANHD members that its grantmaking is not reaching the smaller organizations as it had in prior years. Bank of America score declined, but much of that has to do with no longer reporting data about nonprofits, CDCs, or grants to neighborhood-based organizations. That being said, the bank's core lending score is quite low and that data is complete. They do, however, have one of the better distributions of branches in LMI tracts and offer a more-affordable no-overdraft checking account product.

TD Bank's Quality Score increased in 2017, due to a number of factors. The core score increased mostly because their volume of multifamily loans dropped below 10 and were not counted in the score. Also, TD's percentage of refinance loans to LMI borrowers compared better than in 2016, but the volumes are low across the board. TD Bank's service score increased, too, reflecting the positive trend of opening more branches in LMI tracts. Its community development score declined as the volume of loans to nonprofits declined.

Of the smaller banks, Sterling, Flushing, Ridgewood, and New York Community Bank ranked higher than 3. Flushing ranked high on core lending and service. This was due to high percentages of multifamily loans in LMI tracts and counting for community development, and small business loans in LMI tracts. Flushing's volume of home loans was too low to evaluate. Although this is not captured in its scores, Flushing makes a higher volume of loans to investor-owned small properties, which are essentially small landlords in the non-rent-stabilized 1-4 family housing stock. The value of those loans from a community perspective depends on the quality of the local landlords and affordability of the rental units. On the service side, Flushing has a high percentage of branches in LMI tracts and a fairly good set of checking products. The bank also partners with the City of New York on some programs to increase access to banking. Sterling ranked higher as well, but its volume declined, especially if one compares Sterling's most recent volume to the combined lending the previous year of Sterling and the bank it has since absorbed, Astoria. New York Community Bank and Signature rank relatively high on core lending as well, whereas Valley National, Apple, BankUnited, and Dime rank quite low – all below 2.

It is difficult to rank just four wholesale banks, especially in categories where we do not have data for all four banks. However, we do have a measure of each bank's community development activity, with regard to loans, investments, and grants. We appreciate the intentionality of Deutsche Bank, Goldman Sachs, and Morgan Stanley, which each stand out in a different area of community development. BNY Mellon continues to provide data, but much less than its peers. ANHD also believes that BNY Mellon has the opportunity to do more in New York City, though we appreciate the programs and partnerships they do have.

Typically, some of the smaller local and regional retail banks do much of their community development lending through multifamily mortgages. Multifamily lenders such as Dime, Flushing, and Ridgewood Bank make very few other types of community development loans, and other banks such as Signature and New York Community Bank seem to get community development credit from other areas of their core business, with a less intentional approach. ANHD urges these institutions to consider other types of lending and to ensure that the recipients of multifamily loans are of the highest quality: an essential step to preserve affordable housing and minimize displacement of lower-income tenants.

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

BRANCHES & BANK PRODUCTS

BACKGROUND

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

LIMITED ACCESS TO BANK BRANCHES

When the CRA was originally drafted in 1977, it was seen as a tool to shift the patterns of the many banks that had been explicitly refusing to open branches and invest deposits in low-income communities and neighborhoods of color. Because of this, CRA exams have traditionally focused almost exclusively on the number of branches in low- and moderate-income communities, with some ancillary discussion of hours of service and types of products offered. Community groups fought long and hard to get banks to open branches in underserved neighborhoods. **Forty years later, we *still* struggle to get banks to open branches in unbanked and underbanked areas, and to keep open branches that do exist in underserved areas.**

The banking world has changed since the 1970s, as banks are closing branches and expanding mobile and online options instead of opening them in unbanked areas. But what hasn't changed is that the vast majority of bank branches in New York City are in Manhattan below 96th Street. In upper Manhattan and in the outer boroughs, they are sparser and tend to be clustered along commercial corridors, leaving certain low-income communities of color with very few options.

Forty years later, we still struggle to get banks to open branches in unbanked and underbanked areas, and to keep open branches that do exist in underserved areas.

This pattern is distressing because physical bank branches remain important for many, including small businesses, low-income populations, immigrants, and the elderly. **In fact, 45% of seniors, 38% of low-income households, and 42% of monolingual Spanish-speaking households use a teller as their primary method of access to banking**. Increasing bank branches has a direct impact on small business lending and can lead to individual wealth-building through opening savings accounts and establishing credit history. Their absence opens the door to predatory businesses, such as check cashers and pawn shops.[5] Multiple studies, such as the 2014 *Banking in Color* study, show that low-income people of color

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

still rely upon the presence of bank branches to conduct financial transactions[6]. Here in New York, a 2018 study of nearly 400 central Brooklyn residents conducted by the Central Brooklyn Reinvestment coalition, led by Bridge Street Development Corporation, found that 65% of respondents reported using a neighborhood bank branch, and 60% wanted more branches in the neighborhood.

OTHER BARRIERS TO BANKING

Location matters, but it is not the only factor in people being unbanked. New Yorkers today face additional barriers to banking due to the costs and identification requirements associated with various bank products.

In a 2017 FDIC study on access to banking[7], the most common reason cited for not having a bank account was insufficient money to access or maintain an account. Additional, but related reasons have to do with a lack of trust in banks and high and hidden fees, such as those associated with overdrafts and monthly maintenance fees. For instance, the 2018 study of central Brooklyn 60% wanted lower fees, close to two-thirds are paying overdraft fees, a third paid late fees, and a quarter paid fees for going below a minimum balance. A 2016 Pew report on overdraft practices found that service charges on bank deposit accounts more than doubled from 1984 to 2015; they were actually declining from the peak in 2009 to 2014, and then inched up again in 2015. They also found that most of the largest banks charge $35-$37 per overdraft. The customers most impacted by overdrafts earn less than $50,000 a year[8]. In 2017, banks in the U.S. took in over $11.5 billion in overdraft fees and $6.1 billion in ATM and maintenance fees.

Immigrant populations face additional barrier to banking. Earlier studies, such as the Northwest Queens Financial Education Network*'s Bridging the Gap,* highlight the importance of language access and cultural competency in effectively serving immigrant communities.[9] Lack of identification can also pose another barrier to banking for immigrants and other populations. While all banks will accept a U.S. passport or a New York State driver's license, some go further to accept alternate forms of identification such as foreign passports (ideally without requiring a Visa) or consular ID cards. Very few banks – none in ANHD's study – accept New York City's municipal identification card, "IDNYC," as a primary form of identification to open a bank account.

CHARACTERISTICS OF THE UNBANKED

The most recent 2017 FDIC study on access to banking shows that over a quarter of households (26.2%) in the New York area are unbanked or underbanked.[10] In the same area, 7.9% are completely unbanked, well above the 6.2% unbanked nationwide. While these are improvements over the 2015 study, it still translates to 660,000 households in the NY metro area without access to a bank account.

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

7 FDIC, 2017 *FDIC National Survey of Unbanked and Underbanked Households (October 2018)*, by Gerald Apaam, Susan Burhouse, Karyen Chu, Keith Ernst, Kathryn Fritzdixon, Ryan Goodstein, Alicia Lloro, Charles Opoku, Yazmin Osaki, Dhruv Sharma, Jeffrey Weinstein

8 Pew Charitable Trust, *Consumers Need Protection From Excessive Overdraft Costs* (Dec 2016): https://www.pewtrusts.org/-/media/assets/2016/12/consumers_need_protection_from_excessive_overdraft_costs.pdf

9 Northwest Queens Financial Education Network, *Bridging the Gap (Feb 2015):* https://cdp.urbanjustice.org/sites/default/files/CDP.WEB.doc_Report_Bridging_the_Gap-ES_20150225.pdf

10 FDIC, 2017 *FDIC National Survey of Unbanked and Underbanked Households (October 2018)*, by Gerald Apaam, Susan Burhouse, Karyen Chu, Keith Ernst, Kathryn Fritzdixon, Ryan Goodstein, Alicia Lloro, Charles Opoku, Yazmin Osaki, Dhruv Sharma, Jeffrey Weinstein

The rates of unbanked households are much higher for people of color and low-income households:

- 14.9% of Black households and 18% of Hispanic households are unbanked
- 29% of households earning less than $15,000 and 21.2% of households earning $15,000-$30,000 are unbanked
- 30% of households without a high school degree are unbanked

22% of all households in the NY metro area used Alternative Financial Services, rather than a bank, for at least some of their financial needs. That rate nearly doubles for Black and Hispanic households (40% and 38%, respectively), versus 13% for white households. And in certain neighborhoods, it's yet higher: of the respondents with a bank account in a survey of central Brooklyn residents, a full 85% use non-bank financial services for a variety of purposes. While some progress has been made in the percentage of unbanked, the data demonstrates that banks are still not meeting the full banking needs of their customers.

Limited branch access continues to pose a major access barrier because while mobile banking can help close the gaps for some, most unbanked and underbanked people do not have computers, and over 15% of underbanked households, half of unbanked households, and 52% of senior citizens do not have a smart phone. Also, only 50% of underbanked households used online banking or mobile banking at all in the past year, whereas 75% of all banked and unbanked households used a teller at some point.

The FDIC study also found that people with higher rates of income volatility were more likely to be unbanked and under-banked than those with a steady income. This held true across the income spectrum. One study found that 20% of US households experience moderate to significant income fluctuations month to month, and in NY 19.6% of households do.[11] The FDIC survey found that the rate of unbanked doubles for people whose income varied a lot from month to month versus those who have steady incomes. The Pew Research Center found that year over year, 34% of households experienced large changes in income (losses or gains) and that rose to 38% in low-wage households. Similar to the FDIC study, they found that whether households experienced a gain or a loss, this volatility led to lower levels of financial well-being and fewer savings than those with stable incomes.[12]

The FDIC study also found that people with higher rates of income volatility were more likely to be unbanked and under-banked than those with a steady income.

PRINCIPLES

- **Physical branches matter.** Banks must open and maintain branches in underserved areas to make banking available to all New Yorkers. Banks should open branches in areas that are unbanked or

11 https://scorecard.prosperitynow.org/data-by-issue#finance/outcome/income-volatility

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

underbanked, and partner with local nonprofits to ensure they successfully reach new customers through their products and practices.

- **Every bank should offer a safe affordable bank account.** New and existing customers need to be able to save and access their money at little to no cost. This is essential to be able to conduct their day to day transactions safely and effectively. Each bank should offer and promote an account with low fees and no overdrafts. It should be accessible to everyone by accepting multiple forms of identification and allowing people with prior banking issues to reenter the banking system.

- **Every bank should affirmatively meet the specific banking needs of the lower-income and immigrant communities it serves.** In addition to transactional accounts, New Yorkers rely upon banks to build credit, save money, send remittances, send money to family and friends, and access loans. Banks should support this by partnering with the City and community organizations to increase access to banking. They should also create targeted banking, lending, and credit building products; market the products affirmatively; have hours and locations that are convenient to the community; and provide staffing and services in the languages of the local neighborhood and that are culturally relevant.

TRENDS & FINDINGS

- **While overall, branches increased slightly this past year – by 3 – the number of branches is still 13 fewer than in 2014. Branches decreased by 51 in moderate-income tracts and increased by 17 in low-income tracts.**

- **Banking deserts persist. The distribution remains unequal, with fewer branches in low-income communities and communities of color.**

TABLE 8: CHANGE IN FULL SERVICE BRANCHES 2014 - 2017

	2014			2015			2016			2017			% Change 2014-17			% Change 2016-17		
	All	LI	LMI	All	LI	LMI	All	LI	LMI	All	LI	LMI	All	LI	LMI	All	LI	LMI
Largest	1111	105	343	1102	105	346	1101	110	350	1098	118	321	-1.2%	12%	-6.4%	-0.3%	7.3%	-8.3%
Smaller	320	33	116	331	32	119	317	34	118	323	43	113	0.9%	30%	-2.6%	1.9%	26.5%	-4.2%
Total	1431	138	459	1433	137	465	1418	144	468	1421	161	434	-0.7%	17%	-5.4%	0.2%	12%	-7.3%

(LI = Low-income tract, LMI = Low- and moderate-income tract)

Among the 20 retail banks in this study, the total number of branches increased by just three branches (0.3%) from 2016 to 2017. Branches in LMI tracts decreased by 34 branches (7.3%), but the decline was all in moderate-income tracts; branches in low-income tracts in particular increased by 17 (12%). Before acquiring Astoria Bank, Sterling closed seven branches in 2016, after its acquisition of Hudson City in 2015. In 2017, the largest drop in branches overall were at Chase (down 8), Capital One (6), and Citibank (down 3). Some of the changes in LMI branching were due not to closures, but instead to changes in census tract designations in 2017 – meaning that the bank branch stayed in place, but the income used to calculate census tract designations changed it from, say, low to moderate, moderate to low, or from LMI to middle- or upper-income, and vice-versa. For example, M&T's 2016 branches changed from three moderate-income to two low-income branches and one that is no longer LMI. Similar situations occurred with other banks. However, some banks did close or open branches in LMI tracts. Santander, for example, opened five new branches in Manhattan, Brooklyn, and the Bronx. Two are in low-income tracts and three in moderate-income, one of which was formerly low-income. TD Bank opened three in LMI tracts, Dime opened two in moderate-income tracts, and Citibank, Bank of America, and M&T each opened one in LMI tracts. On the flip side, Capital One closed three in

LMI tracts (one was middle-income in 2016 and moderate-income in 2017), and Chase closed one in a moderate-income tract in Jackson Heights.

ANHD has long recommended that at least 25% of a bank's branches be in low- and moderate-income tracts, and in particular, 10% in low-income tracts. We are happy to report that the average percentage of branches in low-income tracts rose from 9.5% in 2016 to 10% in 2017. However, while 15 banks met ANHD's recommended 25% threshold in LMI tracts, the average percentage declined from 33% to 29%.

TABLE 9: HIGHEST PERCENTAGES OF BRANCHES IN LOW- AND MODERATE-INCOME (LMI) AND LOW-INCOME (LI) CENSUS TRACTS IN NYC

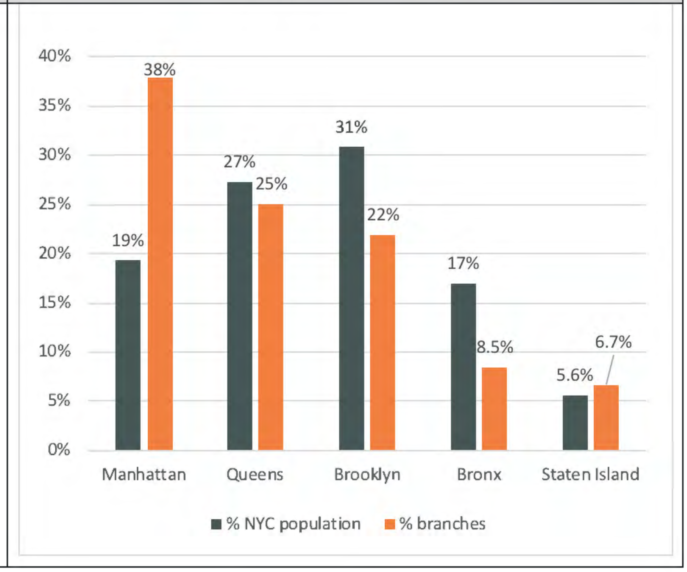
	2016			2017					2016			2017		
Bank	All	LMI	% LMI	All	LMI	% LMI		Bank	All	Low-Inc.	% Low-Inc.	All	Low-Inc.	% Low-Inc.
Largest								**Largest**						
Chase	364	132	36%	356	120	34%		HSBC	91	11	12%	91	14	15%
Bank of America	121	42	35%	124	40	32%		Chase	364	51	14%	356	49	14%
Citibank	148	47	32%	145	42	29%		Citibank	148	14	9.5%	145	17	12%
HSBC	91	31	34%	91	26	29%		Bank of America	121	13	11%	124	14	11%
Capital One	131	43	33%	125	33	26%		M&T	17	0	0%	18	2	11%
Santander	72	16	22%	76	20	26%		Capital One	131	11	8.4%	125	10	8.0%
TD Bank	136	32	24%	142	36	25%		Santander	72	1	1.4%	76	5	6.6%
M&T	17	3	18%	18	2	11%		TD Bank	136	8	5.9%	142	7	4.9%
Wells Fargo	21	4	19%	21	2	10%		Wells Fargo	21	1	4.8%	21	0	0%
Smaller								**Smaller**						
Popular Comm.	34	21	62%	35	21	60%		Flushing	16	3	19%	16	5	31%
Flushing	16	6	38%	16	8	50%		Popular Comm.	34	8	24%	35	9	26%
Ridgewood	24	11	46%	24	11	46%		Dime	18	1	5.6%	20	4	20%
Apple Bank	53	23	43%	53	22	42%		Apple Bank	53	9	17%	53	10	19%
Sterling	38	11	29%	39	13	33%		NYCB	81	3	3.7%	83	9	11%
Dime	18	10	56%	20	6	30%		Sterling	38	2	5.3%	39	3	7.7%
Valley National	27	8	30%	26	7	27%		Valley National	27	5	19%	26	2	7.7%
NYCB	81	20	25%	83	21	25%		Signature	19	2	11%	20	1	5%
BankUnited	5	2	40%	5	1	20%		BankUnited	5	1	20%	5	0	0%
Signature	19	6	32%	20	3	15%		Emigrant	2	0	0%	2	0	0%
Emigrant	2	0	0%	2	0	0%		Ridgewood	24	0	0%	24	0	0%
Total	**1418**	**468**	**33%**	**1421**	**434**	**29%**		**Total**	**1418**	**144**	**9%**	**1421**	**161**	**10%**

In 2017, 16 of the 21 retail banks met our first benchmark for branching in low- and moderate-income communities, up from 15 in 2015; 10 met the second benchmark for low-income communities (up from nine in 2016). Among the larger banks, now Chase, HSBC, Citibank, Bank of America, and M&T meet the low-income benchmark: 14% at Chase and 15% at HSBC. Citibank has 12% of their branches located in low-income tracts, with Bank of America and M&T at 11%.

Ensuring that lower-income tracts have an adequate number of branches is a helpful first step for uncovering banking access issues, but different neighborhood-level access points to banking are also indicators of inequity. Branches are not distributed equitably, with the majority concentrated in mid- and lower Manhattan below 96th Street and much fewer in upper Manhattan and the outer boroughs. The Bronx and Brooklyn have nearly 50% of the City's population, yet only 30% of the branches, and especially with so many branches concentrated in a few commercial corridors, many neighborhoods have no branches at all.

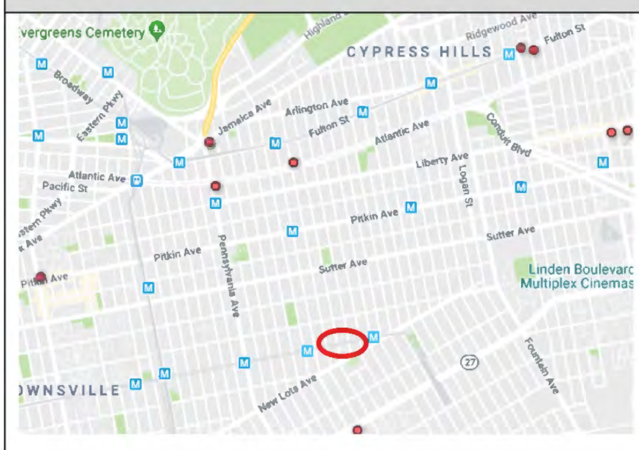
Distribution of Bank Branches NYC (shaded areas are Low and moderate-income)

Percentage of branches versus Percentage of NYC Population

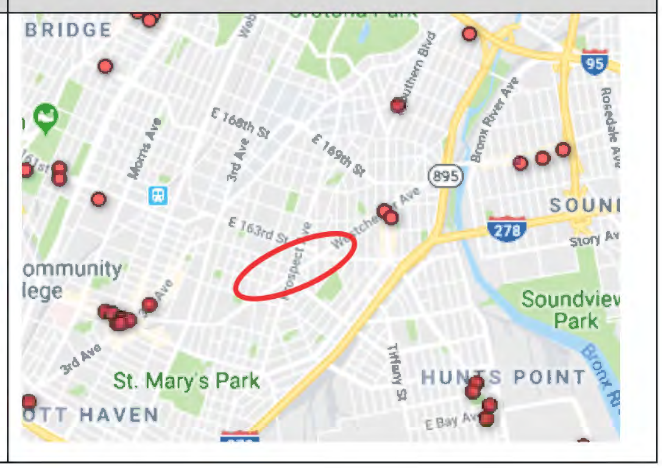


For instance, ANHD members have identified corridors that need new bank branches. These are just two locations that very much need branches, but opportunities exist citywide. We encourage banks to consult with local organizations to identify areas to open new branches, and the types of products needed at these branches.

Cypress Hills / East New York: Lavonia St between Sheffield & Van Sinderan Avenues



Much of the South Bronx is unbanked. Westchester Avenue is just one example of a corridor needing branches.



- **More banks are offering affordable checking accounts, but banks still earn billions in consumer fees and more needs to be done to increase access to low-cost banking.**

The most basic checking products continue to vary among banks in regards to amount needed to open an account, monthly maintenance fees, and additional fees associated with the account. New York State law requires all state-chartered banks to offer a "Basic Banking Account," which is a limited checking account with low monthly fees, no minimum balance, and the ability to do at least eight transactions (write checks, withdraw money) for free, each month.[13] While this is a helpful product, it

13 https://www.dfs.ny.gov/consumer/brbba.htm

is not fully sufficient, as it allows banks to charge overdrafts and charge for transactions once the free transactions have been maxed out. Signature Bank, for example, charges $1.50 per transaction after eight free transactions (though Signature does not charge fees for using another bank's ATM). Apple charges $1 per additional transaction. Starting in mid-2017, Popular Community Bank discontinued its no-fee account, and offers instead a Basic account that charges $1 per transaction after the eight free transactions. Popular's standard account now requires direct deposit or a high minimum balance, which could be costly for many who don't meet those criteria. Many of the other state-chartered banks still offer accounts with no monthly maintenance fees, including Dime and Flushing, as well as Ridgewood and New York Community Bank with e-statements. Three national banks – HSBC, Santander, and Valley National Bank – also provide similar lifeline accounts for $3 per month. For a long time, the options at the largest banks have been limited, with few options for working-class adults, especially those without direct deposit.

Chase operates 31% of all full-service bank branches in the Bronx, and over 20% in Brooklyn, Queens, and Manhattan. Their most basic checking account still costs $12 per month, which can only be waived with direct deposit or a daily average balance of $1,500. Chase's prepaid card costs less, and operates very much like the checkless checking accounts at some other banks; however, it is still $60 per year, and if that customer transitions to a full checking account and cannot meet the minimum balance requirements or access direct deposit, the customer will be pay $12 per month – a fee significant for anyone, and especially low- and moderate-income customers.[14]

Given the multitude of very small businesses, self-employed people, and workers paid in cash, an account that depends upon direct deposit or a large minimum balance to avoid monthly fees is out of reach for many.

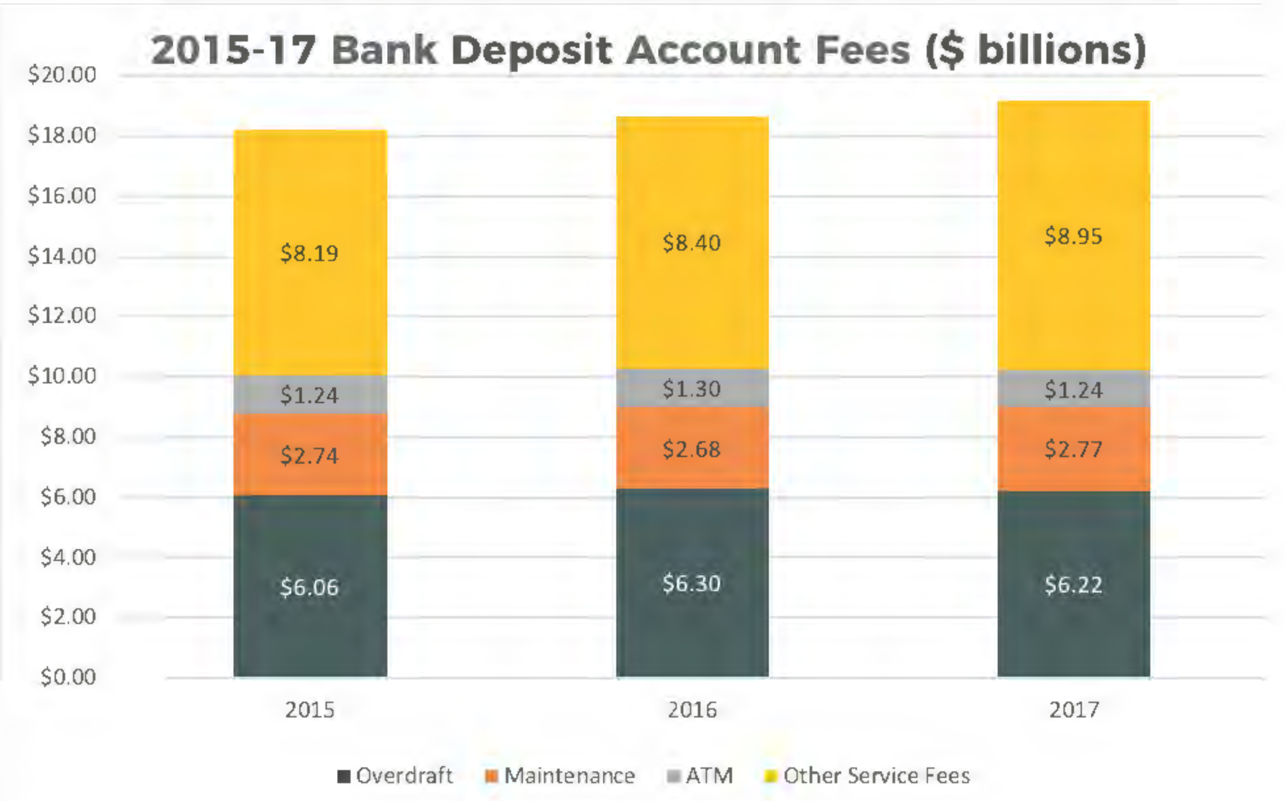
Basic checking accounts at many other major banks are similarly expensive. Of the largest national banks, Santander is the only bank that has no monthly fee if the account is active (one deposit, withdrawal, or transfer or payment each month). Capital One and TD Bank had the lowest minimum balance requirements to waive the fee on their full checking accounts offered in branches ($350 and $100, respectively) versus $1,500 at the Big Four banks. Capital One's 360 checking account has no minimum balance or monthly fee. Starting in 2018, Capital One offered this account in the branches, rather than all online as was formerly the case, and our score moving forward will reflect that. Bank of America's Core Checking account costs $12 per month fee unless the customer has $1,500 minimum daily balance or direct deposit. Most of these are *daily* minimum balances, and not monthly, so customers could easily be caught unaware.

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

The Federal Financial Institutions Examination Council (FFIEC) quarterly "call reports" now disclose consumer fees collected by banks overall, as well as a breakdown of maintenance fees, ATM fees, and

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

overdrafts. Looking first at service fees, **Bank of America, Wells Fargo and Chase once again took in the highest amounts of maintenance fees, ATM fees, and total service fees**. While the largest banks in the country are expected to top the list, it amounts to billions in service fees. Bank of America took in $1.4 billion in ATM and maintenance fees alone, accounting for 25% of service fees, and 2.7% of consumer transactional deposits. Wells Fargo and Chase had the next highest amount in these basic fees, at $1.02 million (6.3% of consumer transactional deposits) and $876 thousand (1.5% of consumer transactional deposits), respectfully. TD Bank, Wells Fargo and Citibank had the highest amount of ATM + maintenance fees as a percentage of consumer transactional deposits (in 2016, Chase was in that top three and not Citibank). TD Bank's ATM and maintenance fees were well over Citibank's, and just after the other "big four" banks, accounting for the highest percentage of consumer transactional deposits (11%). However, we note a big jump in maintenance fees at Citibank, more than double than in 2016. Santander, on the other hand, took in one of the lower amounts of ATM and maintenance fees among the largest banks, and among the lowest percentage of consumer deposits among all banks.



Among the smaller banks, Valley National, Apple and Popular Community had the highest in ATM and maintenance fees; Popular Community, Ridgewood and BankUnited fees were once again the highest as a percentage of consumer transactional deposits. Of those, BankUnited's collections stood out the most, by far at 5.8%. Their service fees overall were up slightly, but we note their ATM and maintenance fees were relatively flat, down 0.2%. Ridgewood's total service fees jumped again, up 12% after 57% from 2015-16. Its maintenance and ATM fees increased 34%; the bank discontinued its policy of waiving some ATM fees, which may have contributed to this increase, but as we said last year, the bank joined the Allpoint network, which should, in theory, lower ATM fees.[15] The Allpoint network is a large network of ATMs that provides customers of member banks free access to these ATMs to withdraw money and check balances.

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Overdraft fees continue to emerge as a major source of revenue for banks, and one that is known to be collected disproportionately from lower-income customers and those who experience high income volatility and insecurity.[16] Overdraft fees cost, on average, about $35 per incident, with some banks charging additional fees for accounts overdrawn for extended periods. M&T Bank charges the most at $38.50, with others typically at $34 or $35. All of the larger banks in our study are now clearly disclosing their fees and practices, but that is not the case at the smaller banks. Federal regulations require banks to decline overdrafts on ATM and Point of Sale (POS) debit card transactions unless the customer opts in, but that has done little to curb fees. **Still, there are best practices banks can and should adopt for all products, which can limit the incidents of overdrafts.** For instance, M&T, Capital One, Chase, Santander, TD Bank and Wells Fargo do not charge for overdrafts below $5, and HSBC does not charge for overdrafts below $10. Some of the smaller banks also follow this practice. But too few banks of all sizes have adopted the Pew Charitable Trust's **best practices: 1) No overdrafts on ATM withdrawals, 2) No overdrafts on debit card transactions, and 3) No reordering of transactions from highest to lowest**. Among the national banks, only Citibank and HSBC have adopted all three best practices on their checking accounts.[17] Most large banks in our study have adopted at least one and meet at least three of the four of Pew's good practices**:** *1) Limited reordering of transactions*, *2) No extended overdraft fee*, *3) Threshold set before an overdraft fee occurs*, and *4) A limited number of overdraft fees per day*. Signature Bank adopted just two. In 2016, TD Bank took the positive step to stop reordering transactions high to low, but their overdraft revenue still increased in 2017. In 2017, Bank of America stopped charging an extended overdraft fee. Most banks offer some other type of overdraft protection, typically linked to a savings account or a line of credit. These depend on having funds in another account or credit approval, and still charge a fee to use, albeit lower than a basic overdraft fee. These tend to be closer to $10 to $15 a day, which can also be costly. Capital One's online 360 account does not charge for transfers. So far, few of the smaller banks have adopted the best practice of not charging for overdrafts on ATM or debit cards.

TABLE 10: 2017 FFIEC CALL REPORT DATA ON OVERDRAFTS, MAINTENANCE, ATM AND OVERALL SERVICE FEES. (*DATA IS NATIONAL, NOT JUST NEW YORK CITY*) – Highlighted columns are top 3 amounts, or where the amount increased year-to-year

	Total Service fees	Consumer Deposits (m)		Overdraft			Maintenance + ATM fees			% Change 2016-17		
	$ (m)	Consumer Transac-tional Deposits	All consumer Deposits	$ (m)	% Svc Fees	% cons. Transac. Dep	$ (m)	% Svc Fees	% cons. Transac. Dep	Total Svc	Over-draft	Maint. + ATM
TD Bank	$1120	$2830	$84313	$521	46%	18%	$306	27%	11%	7.3%	12%	1.4%
Wells Fargo	$5611	$16132	$510879	$1698	30%	11%	$1022	18%	6.3%	-3.8%	-4.4%	-10%
Capital One	$344	$2570	$163100	$167	49%	6.5%	$61	18%	2.4%	-1.0%	2.5%	-2.9%
M&T	$334	$2203	$36560	$122	36%	5.5%	$35	10%	1.6%	1.6%	3.5%	-7.0%
Citibank	$1018	$3566	$138202	$114	11%	3.2%	$202	20%	5.7%	63%	-0.9%	98%
Bank of America	$5598	$52354	$742780	$1656	30%	3.2%	$1402	25%	2.7%	1.8%	0.2%	7.8%
Chase	$4774	$59473	$547060	$1863	39%	3.1%	$876	18%	1.5%	3%	-3.2%	-6.6%
Santander	$177	$4909	$29784	$57	32%	1.2%	$58	33%	1.2%	7.9%	5.5%	21%
HSBC	$115	$4142	$39991	$5.19	4.5%	0.1%	$23	20%	0.6%	-2.7%	-6.6%	-10%
Signature	$9.3	$15	$4211	$0.59	6%	4.0%	$0.24	3%	1.6%	4.1%	-7.2%	3.4%
Ridgewood	$5.4	$88	$2442	$2.81	52%	3.2%	$2.59	48%	3.0%	12%	-2.3%	34%
Popular	$13	$167	$273	$3.59	27%	2.2%	$3.90	29%	2.3%	3.1%	0.0%	6.4%
BankUnited	$10	$64	$3423	$0.46	5%	0.7%	$3.67	36%	5.8%	2.3%	-24%	-0.2%
Dime	$1.1	$84	$2976	$0.55	51%	0.7%	$0.20	18%	0.2%	24%	45%	0.0%
Flushing	$1.1	$88	$1815	$0.45	43%	0.5%	$0.13	12%	0.1%	4.6%	-3.6%	-3.0%
Apple	$7.1	$366	$7707	$0.86	12%	0.2%	$3.84	54%	1.0%	-7.6%	-17%	-4.4%
NYCB	$12	$2982	$10363	$5.81	49%	0.2%	$1.16	10%	0.0%	-32%	-5.3%	-81%
Valley	$19	$2022	$5552	$2.85	15.3%	0.1%	$4.16	22%	0.2%	-16%	-38%	-3%
Sterling	$13	$1941	$9060	$2.12	16%	0.1%	$2.09	16%	0.1%	-28%	-25%	-50%

As Table 10 shows, **the largest banks continue to take in tens and hundreds of millions of dollars from overdrafts**, and this is often a reflection of their individual policies. For example, Citibank and

16 https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/12/overdraft-does-not-meet-the-needs-of-most-consumers

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

HSBC do not allow overdrafts on ATM and debit cards, and they reported among the lowest overdraft incomes overall, and the smallest percentages of service fees derived from overdrafts. With this said, the overdraft fees collected at the larger banks are higher overall than the smaller banks and even at Citibank, the total amount is still rather high at $114 million, reaching 3.2% of consumer transactional deposits, so there is more work to be done there as well. Chase, Bank of America, and Wells Fargo, as well as TD Bank and Capital One, continue to derive much of their fee income from overdraft fees, but Chase's represent a smaller percentage of consumer transactional deposits (3.1%). TD Bank took in the highest amount of overdraft per consumer transactional deposits (18%), followed by Wells Fargo (11%) and Capital One (6.5%). Chase actually decreased its overdraft fees slightly, down 3.2% from 2016, where Santander and TD Bank increased fees, by 5.5% and 12% respectively. We had hoped that TD Bank's new reordering policy would lead to lower overdraft fees in 2017, but that hasn't happened yet. The percentage of service fees from overdrafts was highest at Capital One (49%); their total service fees were lower (6th highest), but still amounted to over $344 million in service fees and $167 million in overdraft fees in 2017.

The largest banks continue to take in tens and hundreds of millions of dollars from overdrafts.

While Ridgewood Savings Bank is to be commended for not charging monthly maintenance fees, it continues to stand out on the other extreme as collecting the highest percentage of service charges from overdraft fees: 52%, and one of the highest compared to consumer deposits (3.2% of consumer transactional deposits). Though their overdraft fees decreased 2.3% year to year, that came after an 8% increase the year before. Flushing Bank also collected a significant share of its service charges from overdrafts – 43% – but its total service charges are the lowest among all banks, with Dime close second this year ($1.1 million each).

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

BankOn is also emerging as a standard for affordable banking options. An advisory council of advocates, banks and governments developed a set of standards for a BankOn-certified account, which includes no overdraft, low minimum balances, acceptance of alternative forms of identification.

All four of the Big Four banks now offer a BankOn-certified account, but some are debit card accounts, not full checking accounts.

- Bank of America *SafeBalance* checkless checking account costs $4.95 per month, which cannot be waived.
- Citibank *Access Account* checkless checking account costs $10 per month, which can be waived through (1) direct deposit, (2) paying one bill online or by phone per month, or (3) maintaining a $1,500 minimum balance.
- Chase *Liquid* prepaid debit card costs $4.95 per month, which cannot be waived. While not a bank account, the card operates the same in that it offers online bill pay and transfers to other Chase accounts.
- Wells Fargo *Easy Pay* Debit card costs $5 per month, which cannot be waived. This is not a checking account. Unlike a bank account or some prepaid cards, it doesn't allow full online bill pay functionality to send a check if the company doesn't accept a debit card number.

ANHD is pleased to report that as of 2018, Capital One has allowed customers to open its lower-fee "360 account" in the branches, rather than only online. We had been calling on the bank for years to make this option available in-branch. The account has no monthly fee and offers free transfers from a savings account when the checking account has an insufficient balance, whereas most charge $10-$15 to make such a transfer. Capital One also offers an overdraft line of credit, which is more affordable than a standard overdraft. But, people who do not qualify for the line of credit, or do not have enough to cover the transfer, can still opt into standard overdrafts on ATM and debit cards at $35 each (with a full day "grace period" to pay back the overdraft before a fee is charged). Santander's Simple account is a step in the right direction, as well, with no monthly fee with just one transaction and no minimum balance, but they also still allow customers to opt into overdraft on ATM and debit cards.

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

- **Fewer banks are offering targeted products or partnering with the City to increase access to banking.**

Government, banks, and community organizations have worked together effectively on a variety of strategies to reach the unbanked and underbanked. For example, Apple Bank and Popular Community Bank offer loans to help people build and repair credit. New York Community Bank offers a secured credit card, and Bank of America, Capital One, Citibank, Flushing Bank, TD Bank, and Wells Fargo continue to offer secured credit cards as another means to build and repair credit. But there are still too few strategies designed to meet the needs of the un- and underbanked, and in some cases, banks have begun to limit available options rather than expanding them. For example, Santander discontinued its credit-builder loan, which was already inaccessible at $1,000 minimum. Capital One and NYCB's cards have no annual fee. Astoria's secured credit card used to have one of the lowest annual fees, at $19 per year, but post-merger, customers must use Sterling's, which costs more at $35 per year. Bank of America's card is the most expensive, at $39 per year. Popular Community Bank discontinued their secured credit card in 2016. Chase has not offered a secured credit card or any other credit-building product for many years.

Several banks, including Citibank, M&T Bank, Apple, Ridgewood, and Flushing, have partnered with the City and nonprofit organizations to make banking available to more New Yorkers, especially those for whom traditional bank hours are inaccessible. Most banks have some Saturday hours; TD Bank stands out as the only bank that is uniformly open on Sundays, with some branches that stay open daily until 7pm. In addition, some other banks open on Sunday in individual neighborhoods, which demonstrates a level of responsiveness to local needs.

Government partnerships have also helped to increase branch access. New York State's Banking Development District (BDD) program uses subsidized deposits to encourage banks to open branches and contribute to economic development in underserved neighborhoods. ANHD appreciates the work the New York State Department of Financial Services (DFS) has done to make the application more robust, and hope that leads to more lending and services to benefit the neighborhoods where Banking Development District branches are located. New York Community Bank had been one of the few banks to open a new Banking Development District in recent years. We are pleased to see that in 2017, Ridgewood was approved to open a new BDD branch in Clinton Hill, Brooklyn. While not studied in this report, we note that Spring Bank, too was approved to operate an existing branch in the Bronx as part of the BDD program in 2017. Spring Brank is mission-driven to serve underserved populations, and we are pleased to see this branch open as part of the BDD program. Popular Community also opened a new BDD branch in the Bronx in 2018.

The City of New York has created models for increasing access to banking, which ANHD urges other cities and employers to follow. For example, by making direct deposit available to employees and, through New York City's Office of Financial Empowerment (OFE), connecting them to bank accounts.[18] Through this program, at eight participating banks and credit unions (just two in this study: Flushing and Sterling), participants have access to a safe, free checking account with no monthly fees; no overdraft option for debit card purchases or ATM withdrawals; no or low minimum balance requirements; free online banking and bill pay, and free in-network ATM withdrawals.

Also offered through OFE is SafeStart "starter account": a savings account with no monthly fees, and, because it is not a checking account, no overdrafts. The account is also coupled with free financial counseling, allowing people a meaningful way to enter or reenter the banking mainstream in order to begin saving and accessing other products, such as transactional checking accounts. This product is open to anyone and, among banks in this study, it is offered at M&T Bank, Popular Community Bank, and Ridgewood Savings Bank. Capital One no longer participates, but reports that its 360 savings account is similar. Citibank is a major funder of the New York City Financial Empowerment Centers. Some of the smaller banks, such as Ridgewood, Apple Bank, and New York Community Bank, partner with community organizations to support lower-income people file taxes. Apple has been commended for helping people open bank accounts on-site at tax preparation sites in the Bronx.

The City has also taken steps to reduce identification barriers for historically un- and underbanked populations. In 2015, New York City launched the IDNYC to provide all New Yorkers, including homeless individuals, youth, elders, undocumented immigrants, and formerly incarcerated people, access to a government-issued form of identification.[19] **One of the main objectives of IDNYC was to bolster access to banking for immigrant community members. But many banks in this study accept the IDNYC only as secondary identification, and none accept it as primary identification**. Chase still does not accept it, even as secondary identification. Popular Community Bank and BankUnited both accepted it as primary identification in 2015 but discontinued the practice in 2016, now only accepting it as secondary identification. Carver, formerly in this study, still accepts it as primary identification, as does Spring Bank. Other banks and credit unions accept the IDNYC, each with various requirements to use it, but none have the large branch networks or customer bases as the banks in this study do.[20] **IDNYC is a recognized form of government identification, which all banks should accept as a primary form of identification so that more community members can gain access to banking.** That said, most of the larger banks and some smaller ones accept alternate forms of identification, such as foreign passports and consular cards.

One of the main objectives of IDNYC was to bolster access to banking for immigrant community members. But many banks in this study accept the IDNYC only as secondary identification, and none accept it as primary identification.

The banks mentioned here should be recognized for their individual work, and for their work with the City and other partners, to increase access to banking. However, basic banking should not be a niche product. Every New Yorker, especially immigrants and lower-income residents, should have ready access to banks and affordable products to safely save money and conduct their day-to-day transactions.

18 https://www1.nyc.gov/site/dca/consumers/checking-employees.page
19 https://www1.nyc.gov/site/idnyc/about/about.page
20 https://www1.nyc.gov/site/idnyc/benefits/banks-and-credit-unions.page

These products should be widely available and marketed broadly. **It is not enough to merely offer a product; banks must market it and demonstrate its effectiveness to make banking and financial services accessible to everyone equitably.**

In the following section, we attempt to quantify some of the quality aspects of banking at the banks in this study. We recognize that this analysis does not provide data relevant to every recommendation, but it does give a sense of which banks are serving more New Yorkers through branch banking products with regards to overdraft policies, monthly fees, and efforts to reach unbanked and underbanked New Yorkers. These access to banking score is based on local needs as well as the Pew Overdraft recommendations and the BankOn National Standards[21].

Access to Banking Score (referred in Table 11):

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

Table 11: ACCESS TO BANKING

<table>
<tr><th>Bank</th><th>fee/ mo</th><th>Ways to Waive Fees, if possible</th><th>Subset of Overdraft Practices on full checking account 2014</th><th>Safe, Low-cost Account</th><th>Products/ Partnership/ IDNYC</th><th>2017 score</th></tr>
<tr><td rowspan="2">Chase</td><td>$12</td><td>Direct Deposit ($500+ / mo) OR $1500 min OR linked accts $5000 OR pay $25 in fees</td><td>4 of 7: Disclosure box; no OD ATM; limit # OD's per day; threshold $5 before OD</td><td></td><td rowspan="2">IDNYC 2017: No

(can't use to open; secondary for transactions after that)</td><td rowspan="2">9</td></tr>
<tr><td>$4.95</td><td>Chase Liquid pre-paid debit card. Can't waive fee</td><td>No overdraft charges: allows online bill pay like "checkless" checking accounts</td><td>5 of 5: Unlimited transactions; Min to open ≤$25; fee < $5; no dormancy fee; no overdraft</td></tr>
</table>

21 http://www.joinbankon.org/wp-content/uploads/Bank-On-National-Account-Standards-2015-2016-Final.pdf

<table>
<tr><td rowspan="2">Bank of America</td><td>$4.95</td><td>Safe Balance Account. Can't waive fee</td><td>No Overdraft charges.</td><td>5 of 5: Unlimited transactions; Min to open ≤$25; fee <$5; no overdraft/ NSF fee; no dormancy fee</td><td rowspan="2">Secured credit card

IDNYC 2017: Secondary</td><td rowspan="2">10.5</td></tr>
<tr><td>$12</td><td>Direct Deposit (min one for $250) Or min balance $1,500</td><td>4 of 7: Disclosure box; no OD POS Debit; no extended overdraft fee; limit # OD's per day</td><td></td></tr>
<tr><td rowspan="2">Citibank</td><td>$10</td><td>Access Account. Direct Deposit OR 1 bill pay per month OR $1500 min balance</td><td>No Overdraft charges</td><td>5 of 5: Unlimited transactions; Min to open ≤$25; fee $10 waived with single transaction; no overdraft/ NSF fee; no dormancy fee</td><td rowspan="2">Partner with City and Community groups

Secured credit card

IDNYC 2017: Secondary</td><td rowspan="2">13.5</td></tr>
<tr><td>$10</td><td>Basic Checking: Direct Deposit AND 1 bill pay/ mo OR $1500 min balance</td><td>6 of 7: Disclosure box; no OD POS; no OD on ATM; No Reordering high-to-low; Limit # OD per day; no extended OD fee</td><td></td></tr>
<tr><td rowspan="3">Wells Fargo</td><td>$7/$10</td><td>Direct Deposit (total $500+) Or $1500 min. Online banking & bill pay is $3/ mo (can't waive)</td><td rowspan="2">5 of 7: Disclosure box; No Reordering high-to-low; Limit #OD per day; Threshold $5 before OD charge; No extended overdraft fee</td><td rowspan="2">3 of 5: Unlimited transactions; Min to open ≤$25; no dormancy fee</td><td rowspan="3">secured credit card

IDNYC 2017: Secondary</td><td rowspan="3">8.5</td></tr>
<tr><td>$10 / $15 with svgs</td><td>10 DC purchase OR Direct Deposit ($750+) OR $2000 min. Waive $5 svgs acct fee: certain X-fers to savings OR $300 min</td></tr>
<tr><td>$5</td><td>Debit Card (BankOn product). (Note: this is a prepaid card, not a bank account and has no online bill-pay. Because it doesn't operate like a full bank account, it is not counted in score)</td><td>No overdraft charges</td><td>5 of 5: Unlimited transactions; Min to open ≤$25; fee < $5; no dormancy fee; no overdraft</td></tr>
</table>

HSBC	$3	8 free checks / withdrawals, $0.35 per withdrawal after	**6 of 7:** no OD POS; no OD on ATM; No Reordering high-to-low; Limit #OD per day; Threshold $5 before OD; No extended overdraft fee	**3 of 5:** Min to open ≤$25; fee <$5; no dormancy fee	**IDNYC 2017: Secondary**	10.5
	$15	direct deposit or $1,500 min balance		**3 of 5:** Unlimited transactions; Min to open ≤$25; no dormancy fee		
Capital One	$8.95	$300 min balance, or direct deposit of $250 or more	**4 of 7:** Disclosure Box; Limit #OD per day; Threshold $5 before OD; No extended overdraft fee; grace period of one day to pay back overdraft. 360 also has an Overdraft line of credit: low interest on OD.	**2 of 5:** Unlimited transactions; no dormancy fee	**Partner** with **City** and **Community** groups Secured credit card **IDNYC 2017: Secondary**	9.5
	$0.00	*360 Checking (starting 2018 can open in branches)* On AllPoint ATM network		(not a branch product in 2017, not used in score; branch product in 2018)		
TD Bank	$5.99	TD Simple: can't waive	**3 of 7:** Disclosure Box; Threshold $5 before OD charge; no reordering high to low	**3 of 5:** Unlimited transactions; Min to open <=$25; no dormancy fee	**Partner** with **City** Secured credit card **IDNYC 2017: Secondary**	8.5
	$15	TD Convenience: $100 min				
M&T Bank	$3	Can't waive, but no min balance	**2 of 7:** No Reordering high-to-low; Threshold $5 before OD charge	**4 of 5:** Unlimited transactions; Min to open ≤$25; fee < $5; no dormancy fee	Partner with city and Community groups **IDNYC 2017: No**	10
	$6.95 ($0 in 2018)	One deposit or one withdrawal each month		**4 of 5:** Unlimited transactions; Min to open ≤$25; fee <$10 - waived with one transaction; no dormancy fee		
	$4.95	MyWay (new in 2019). Waive with one deposit/withdrawal/ bill pay each month	No Overdraft	**(not used in 2017 score) 5 of 5:** Unlimited transactions; Min to open ≤$25; fee < $5; no dormancy fee; no overdraft		

Santander	$3	No min balance	**3 of 7:** Disclosure Box; No Reordering high-to-low; Threshold $5 before OD charge; Limit # OD per day	**2 of 5:** Min to open ≤$25; fee < $5;	**IDNYC 2017: Secondary**	6.5
	$10	$750 ave. daily balance for the month, or direct deposit of $500+ -> can get free svgs acct		**3 of 5:** Unlimited transactions; Min to open ≤$25; $10/mo can be waived with one transaction		
Valley National Bank	$3	8 free checks / withdrawals, $0.50 per withdrawal after	**4 of 7:** disclosure, no reordering high-to-low; Limit #OD per day; Threshold $10 before OD charge	Min to open ≤$25; fee <$5/mo;	**IDNYC 2017: Secondary**	
	$15	daily balance $99 per month				
	$5	*Alternative checking:* direct deposit of $250; or 3 VBankWorks® payments or 10 debit transactions	No OD POS; no OD on ATM; No Reordering high-to-low; Limit # OD per day; Threshold $5 before OD;	**3.5 of 5:** Unlimited transactions; Min to open ≤$25; fee $5 can be waived; No overdraft / reduced cost NSF;		7.5
Popular Community Bank	$3.00	free up to 8 debits, then $1/debit after that	**3 of 7:** No Reordering high-to-low; Limit # OD per day; Threshold $5 before OD charge	**3 of 5:** Min to open ≤$25; fee < $5; no dormancy fee	Partner with **City** and **Community** groups **credit-building loans** **IDNYC 2017: secondary**	10.5
	$10 + $2	**Everyday Checking:** $10 waived with $1000 monthly balance or DD $750 $2 waived with e-statements		**3 of 5:** Unlimited transactions; Min to open ≤$25; no dormancy fee		
Signature Bank	$3	free up to 8 debits, then $1.50/debit after that **no fee for non-Signature ATMs**	**2 of 7:** No Reordering high-to-low; No extended overdraft fee	**3 of 5:** Min to open ≤$25; fee < $5; no dormancy fee	**IDNYC 2017: Secondary**	6.5
	$20	$4,000 min OR $15K linked accts no fee for non-Signature ATMs		**3 of 5:** Unlimited transactions; Min to open ≤$25; no dormancy fee		

New York Community Bank	$2	sign up for e-statements (always free for students)	**5 of 7:** no OD on ATM or POS; Limit # OD per day; Threshold $10 before OD; no extended overdraft fee [Only OD by transferring from another account. $15/day, not per OD]	**4 of 5:** Unlimited transactions; Min to open ≤$25; low/no maint. Fee ($2 w/ paper statement; $0 otherwise); no dormancy fee	Secured credit card Partner with **city** and **Community** groups **IDNYC 2017: Secondary**	11.5
Apple Bank	$3.00	no min. balance ($10 to open)	**4 of 7:** No Reordering high-to-low; Limit # OD per day; Threshold $5 before OD charge; no extended OD fee	**3 of 5:** Min to open ≤$25 ($10); fee < $5; no dormancy fee	Partner with **community groups** Credit building loans **IDNYC 2017: Secondary**	10.5
	$0.00	no min. balance ($100 to open)		**3 of 5:** Unlimited transactions; no monthly fee; no dormancy fee		
Ridgewood Savings Bank	$3	Direct Deposit OR sign up for online banking OR maintain $2,500 balance	**2 of 7:** - No Reordering high-to-low; no extended OD fee	**4 of 5:** Unlimited transactions; Min to open ≤$25; low/no maint. Fee ($0 or $3 w/ paper statement); no dormancy fee	Partner with **city** and **community** groups **IDNYC 2017: Secondary**	7.5
Sterling	$10	e-checking. 15 free transactions; $0.50 per transaction after	**3 of 7:** No Reordering high-to-low; no extended OD fee; limit OD per day	**2 of 5**: Min to open ≤$25; no dormancy fee ($10 fee waived with e-statements, but $10 for paper statements is too high)	Secured credit card **IDNYC 2017: Secondary**	7.5
Dime	$0.00		**3 of 7:** No Reordering high-to-low; Threshold $10 before OD; no extended OD fee	**4 of 5:** Unlimited transactions; Min to open ≤$25; no maint. fee; no dormancy fee	**IDNYC 2017: Secondary**	7.5
Flushing Bank	$0.00		**2 of 7:** No extended overdraft fee; no reordering transactions	**4 of 5**: Unlimited transactions; Min to open ≤$25; no maint. fee; no dormancy fee	Partner with **City**: Secured credit card **IDNYC 2017: Secondary**	10.5
BankUnited	$0.00	Value Checking	**5 of 7:** no OD POS; no OD on ATM; No Reordering high-to-low; Threshold $5 before OD charge; no extended OD fee	**4 of 5**: Unlimited transactions; Min to open ≤$25; no maint. fee; no dormancy fee	**IDNYC 2017:** Secondary	8.5

RECOMMENDATIONS

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

- **Banks should open and maintain branches in under-served areas**
    - 25% of a bank's branches should be in low- and moderate-income tracts, and 10% in low-income tracts in particular.
    - Banks should open branches in areas that are unbanked or underbanked, especially areas identified by local organizations. Banks should partner with local nonprofits to ensure they reach new customers successfully through their products and practices
- **Every bank should offer safe affordable bank accounts**
    - **Offer one account with the following qualities:**
        - Minimum Opening Deposit $25 or less
        - Unlimited Transactions and monthly Maintenance Fee $5 or less if not waivable OR $10 or less if at least <u>two options</u> to waive fee with a single transaction (e.g. direct deposit with no minimum deposit, online bill pay, or debit card purchase)
        - Not structurally possible to incur overdraft or non-sufficient fund fee
        - No dormancy or inactivity fees
    - Accept **alternate forms of identification** in addition to a social security card to open an account. All banks should **accept the IDNYC as primary identification.**
    - Allow people with prior banking issues a way to reenter the banking mainstream.
    - For all checking accounts, have **clear disclosures and follow best practices on overdraft policies** (i.e. no overdrafts on ATM and debit cards and no reordering of transactions from high to low).
    - It is not enough to simply offer new products – they must be advertised and promoted widely, available everywhere, and understood and marketed by all branch staff so that any customer will have it readily available to them. Banks should demonstrate their effectiveness and modify products that are not reaching underserved populations.

- **Offer branch products and implement practices to serve lower-income and immigrant communities.**
    - Partner with the City and nonprofits that provide high-quality financial counseling and education related to all aspects of banking and access to credit.
    - Provide services to non-native English speakers with staff, materials, and products that reflect the local languages and cultures.
    - Offer variable hours – in person and by phone – to accommodate people who cannot get to a bank during the business day.
    - Offer affordable products that meet the needs of lower-income communities: small dollar

loans to help build or repair credit, remittances, and access to credit for homes and small businesses.

- Regulators should **evaluate the impact of the branch locations:** existing, closed and opened. They should also **evaluate the products offered closely**, as well as their impact on access to banking and credit for historically redlined people and communities.

CRA MODERNIZATION EFFORTS IN 2019

The Office of the Comptroller of the Currency (OCC) has taken the first step in "modernizing" the Community Reinvestment Act. The OCC regulates many of the largest banks in the country and the ones that serve the most individual customers. This includes the "big four" banks, Bank of America, Chase, Citibank, and Wells Fargo. The OCC is acting alone, without the other two regulators at the FDIC and Federal Reserve Board. This proposal would be the first major overhaul to the CRA in over 20 years. While we all agree that the CRA needs to be updated, this proposal has the potential to weaken the CRA significantly, rather than strengthen it as is needed.

ANHD, along with our members and allies, submitted over 1,000 letters with the following overarching themes:

- ***Oppose the One-Ratio Approach:*** One simple metric evaluating the total volume of CRA dollars is too crude to assess a bank's performance alone and it cannot be done at a national level*. **Banks must be evaluated on the quantity, quality and impact of their activities within the local communities they serve and based on the needs of these local communities.** If banks are simply striving for one large target goal, they will choose to focus on larger deals, while shying away from smaller loans and smaller deals that may be more impactful, only exacerbating existing disparities.

- ***Community Input Must be at the Heart of the CRA:*** No rating system can be so simplistic and formulaic that it cuts out community input. It should be easy for community members to comment on exams and applications. **Regulators should proactively solicit community input for CRA exams and also at times of mergers and expansions to ensure that the performance context is rooted in local community needs with both quantitative and qualitative data.**

- ***CRA Obligations must Focus on Historically Redlined People and Communities:*** The OCC seeks to **expand the types of activities that count for CRA credit – including activities that do not target LMI people and communities, and automatically counting more activities without evaluating their impact**. Such proposals could dilute the impact of CRA and, even worse, take the focus away from the populations it was meant to benefit, which are historically redlined people and communities: Black and Latino residents, lower-income people and communities, immigrants.

  The CRA should also never have been color-blind. The CRA came as a direct result of redlining and discrimination that locked people of color out of banking. As long as racial disparities in lending remain stubborn and persistent, the CRA must evaluate how banks are serving people and communities of color.

- ***Assessment Areas should reflect bank activity and need:*** CRA assessment areas should be expanded to where banks take deposits and do business. The CRA must also maintain the placed-based commitment banks have to local communities. **However the assessment areas get redefined, it must increase – not reduce – the size of the pie so as to maintain or increase quality reinvestment where it is needed in high-need CRA hot spots such as New York City, while also directing capital to under-banked regions**.

- ***Branches and Banking Matters When Assessing CRA Obligations:*** The OCC asks whether branching in LMI communities should continue to be considered on CRA exams. The answer is unequivocally YES! **The need for bank branches remains.** Mobile and online banking should supplement, not replace, branches. And **branches alone aren't enough if people can't access the products**. The CRA should also evaluate the cost of branch and online products and how banks are or aren't reducing barriers to access the products, including cost, languages, hours of operation, identification requirements, and prior banking issue.

ANHD submitted lengthy comments to the OCC covering these topics and more, including areas such as the evaluation of nonbank lenders, the rating systems, and mergers.

MULTIFAMILY LENDING

BACKGROUND

THE SIGNIFICANCE OF RENT-STABILIZED HOUSING IN NYC

New York City is a city of renters, with nearly two-thirds of residents identifying as such. Unfortunately, many renters struggle to pay their rent in this high-cost city. While median income rose faster than rents from 2015 to 2016, the trend over the longer term is in the opposite direction, with rents rising faster than incomes. Tenants must also contend with the other costs of living that continue to rise, such as utilities, childcare, and food. **Forty-four percent of New Yorkers are rent-burdened, paying more than 30% of their income on rent, and half of those are severely rent burdened, paying more than half their income on rent. A shocking 91% of those severely rent-burdened households are low-income[22].** There are not enough available apartments affordable to these populations, with "affordable" defined as 30% or less of a family's income.

Within the context of New York City's ever-more-expensive housing market, rent-stabilized housing meets a critical need. Nearly half of renters live in rent-stabilized multifamily apartment buildings. This stock of housing remains one of the most important sources of private, more affordable housing in New York City. Fewer than 12% of all rental units operate under some sort of affordable housing program, whereas 44% of all rental units are rent-stabilized.[23]

Rent-stabilized tenants are more likely to be Hispanic and less likely to be White or Asian than non-regulated tenants and less likely to have a college degree. Rent-stabilized tenants are also more likely to be low-income and on some form of public assistance.

Rent-stabilized units are typically more affordable and provide more rights and protections for tenants than market rate units, including the right to a lease, the right to renew a lease, the right to organize, and limits on how much the rent can go up each year. The median rent-stabilized rent was $1,375 in 2017, versus $1,830 for market-rate units.[24] Rent-stabilized housing is important overall, and particularly for lower-income residents of color. **Rent-stabilized tenants are more likely to be Hispanic and less likely to be White or Asian than non-regulated tenants and less likely to have a college degree. Rent-stabilized tenants are also more likely to be low-income and on some form of public assistance.[25]**

22 https://cbcny.org/research/think-your-rent-high
23 "Selected Initial Findings of the 2017 New York City Housing & Vacancy Survey," NYC Dep't of Housing Preservation & Development (Feb. 9, 2018). https://www1.nyc.gov/assets/hpd/downloads/pdf/about/2017-hvs-initial-findings.pdf
24 (ibid 44)
25 Waickman, C. R., Jerome, J. B. R., Place, R. "Sociodemographics of Rent Stabilized Tenants: An Analysis Based on the 2017 New York City Housing and Vacancy Survey," NYC Dep't of Housing Preservation & Development (2018). https://www1.nyc.gov/assets/hpd/downloads/pdf/about/rent-regulation-memo-1.pdf

Rent-stabilized housing is critical for many of the most vulnerable New Yorkers, but the City is losing rent-stabilized housing, and affordable housing more broadly, at an alarming pace.

New York City experienced a net loss of approximately 147,500 rent-stabilized units from 1994 to 2017. In that same time, nearly 155,700 units were deregulated due to vacancy decontrol, which happens when a tenant moves out and the new legally registered rent reaches $2,700. Further complicating the landscape, the number of total apartments with rents $800-$899 declined by over 25% from 2011 to 2014, and by another 20% from 2014 to 2017.[26] Units renting below $800 declined 13% from 2014 to 2017.

THE IMPORTANCE OF THE INVESTMENT IN MAINTAINING – OR THREATENING – RENT-STABILIZED HOUSING

The CRA was passed in the late 1970s when the City was suffering the consequences of severe disinvestment; banks refused to invest in working class neighborhoods and communities of color. One only need see images of the dilapidated, abandoned buildings of that time to understand why we cannot afford to go back to those days. Today, however, many communities face the opposite problem: *overinvestment* and speculation, rather than disinvestment. **Too many of the loans in communities that once faced divestment and neglect now go to bad actors who are more interested in speculative profits than in respecting tenants' rights to remain in their affordable home.**

These "predatory equity" investors make loans and investments to developers in low-wealth communities of color, but they base those loans on highly speculative underwriting that assumes rents in the building will rise significantly, often by harassing and pushing out lower-income tenants out of their units and replacing them with higher paying renters. **Landlords then use a variety of tactics to push out lower rent paying tenants**, including aggressive buyout offers, "construction as harassment", frivolous lawsuits, direct threats and intimidation, and rent increases through building and apartment renovations that may or may not have been done at the cost presented or may not have been done at all.

The system of preferential rents in New York City also poses a threat to rent-stabilized affordable housing. Another common tactic to push out tenants is to remove these preferential rents, which are rents set below the legally registered rents. When these are removed at lease renewal and the rent is set at the higher registered rent, it essentially allows a landlord to raise the rent higher than the percentage allowed by the rent guidelines board. A ProPublica analysis revealed that in 2015, over 266,000 units – nearly 30% of all rent-stabilized units – had preferential rents, up from just 62 units in 2000.[27] Removing preferential rents is more likely to happen now, given the historically low rent increases for tenants who stay in their units (0% in 2015 and 2016, 1.25% in 2017 and 2018 for one-year leases). Landlords want the rent to reach $2,700 when the tenant vacates so they can remove it from the rent-regulation system. While $2,700 may not sound affordable, it is more affordable than market-rate in some neighborhoods. Also, with these tactics, the rent charged may remain low, while the legally registered rent reaches that amount faster than it would under normal circumstances.

Once a unit is de-regulated, that unit is forever out of the rent-regulated system, losing affordability and the tenant protections that come with rent-regulation.

Finally, ANHD is also concerned about the new federal Opportunity Zones program, which provides tax incentivizes to investors who lend in low-income neighborhoods, and has no requirements related to

26 Ibid 22

27 Podkul, Cezary. "New York Landlords Exploit Loophole to Hike Rents Despite Freeze," ProPublica (Apr. 25, 2017). https://www.propublica.org/article/new-york-landlords-exploit-loophole-to-hike-rents-despite-freeze

affordable housing or anti-displacement practices. In the absence of such incentives, investors are likely to be motivated only by their bottom line, exacerbating displacement pressures on low-rent tenants. Locally, we have seen this happen with the City of New York's practice of upzoning low-income communities of color which has brought in investors but helped to drive speculation and displaced residents.

PROTECTING TENANTS FROM DISPLACEMENT

Over the past decade, tenants have organized successfully to secure the passage of multiple laws designed to protect tenants from harassment and displacement. In just the past few years, advocates have secured the following groundbreaking legislation:

- A **Right to Counsel for tenants in housing court**, which guarantees city-funded legal assistance to tenants facing eviction
- The **Certificate of No Harassment program**, which deters harassment by requiring that landlords with prior records of harassment or buildings in distress prove that harassment has *not* taken place in order to receive a permit to build
- The **Stand for Tenant Safety bills**, which combat "construction as harassment": landlords' use of dangerous or negligent construction to push tenants out of rent-regulated units

In 2018, the NY State Department of Financial Services also issued **responsible multifamily lending guidance,** advising all state-regulated banks about their obligation to protect rent-stabilized tenants in their multifamily lending.

New York City reports that over 250,000 New Yorkers have received legal assistance in eviction cases since the Right to Counsel law passed, and the program will expand over time to eventually cover the entire City.[28] Meanwhile, tenant organizers are devoting countless hours to educating tenants on the Certificate of No Harassment law so that tenants on the ground are ready to speak to their experiences and respond effectively when landlords in the program apply for a permit.

As significant as these wins have been, they cannot do it all; the laws are only effective if tenants know about the laws and the municipalities enforce them. And as long as landlords continue to have an over-zealous profit motive predicated on displacement of low-income tenants, they will continue to pressure these tenants to move out of their units. This is where the banks come in. **Banks can, and should adopt underwriting practices that stop predatory equity before it starts. Equally important to the volume of lending, if not more so, is that the loans be underwritten responsibly and made to responsible landlords.**

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

28 Lewis, Danny. "Free Housing Court Lawyers are Driving Down Eviction Rates, City Says," WNYC (Feb. 4, 2019). https://www.wnyc.org/story/free-housing-court-lawyers-are-driving-down-eviction-rates-city-says/

the rest of the community development loans in that section of the report. Other loans for affordable housing (construction loans, lines of credit, etc.) are discussed in more depth in the *Community Development Investments and Loans* section.

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

PRINCIPLES

- **CRA-covered banks must meet credit by lending responsibly on multifamily buildings in low- and moderate-income neighborhoods.**

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

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

  New York City is one of the most expensive and segregated cities in the country, which has implications beyond just housing. One of the best ways to slow or reverse this effect is to provide access to affordable housing. This helps lower-income residents stay in their neighborhoods, especially ones that are gentrifying, and give others the opportunity to move into higher-income areas. Community development loans in this context include responsible mortgages on private affordable rent-stabilized buildings, LIHTC projects, Section 8 buildings, and other rent-restricted affordable housing projects with nonprofit and for-profit developers. As emphasized throughout this report, we encourage banks to explore all the ways they can partner with and support nonprofit developers whose housing is more likely to be deeply and permanently affordable.

- **Banks and regulators should commit to upholding the best practices in multifamily lending.**

  Responsible lending requires a three-pronged approach to ensure tenants are protected with affordable rents and a quality standard of living: (1) *responsible underwriting* using in-place rents and realistic maintenance costs; (2) *Proper vetting of potential bad actor landlords*; and (3) a *system in place to address issues that arise in buildings* banks finance, including a *robust tenant-engagement plan*. Bank regulators play a key role in enforcing these practices. Regulators have a responsibility to ensure bank practices are benefiting everyday New Yorkers, and not fueling displacement. Through CRA, safety and soundness exams, and the bank examination process, regulators can promote responsible lending and penalize harmful behavior.

- **Regulators should hold Non-bank lenders to the same strict standards as bank lenders.**

  Currently, non-bank lenders are not covered by the CRA or any oversight by federal or state bank regulators; this is particularly concerning given their increased lending on multifamily buildings. This may require regulatory and/or legislative change to do so.

TRENDS & FINDINGS

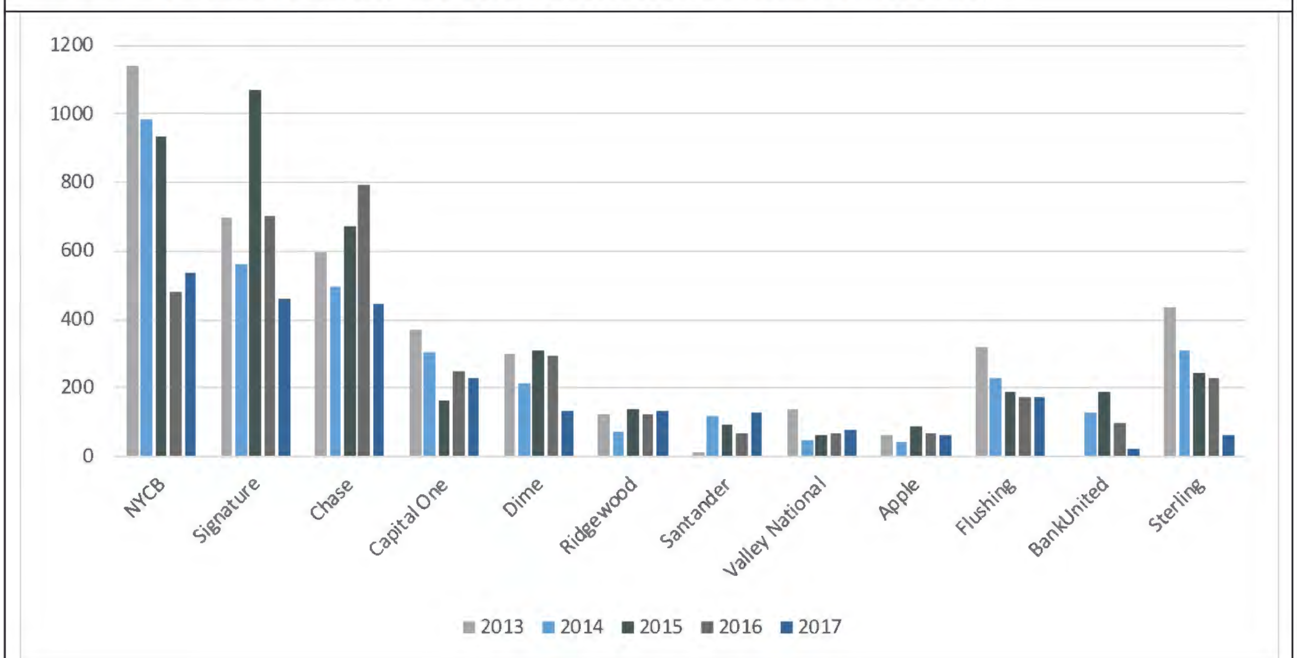
- **Multifamily lending declined overall and in low- and moderate-income neighborhoods. The number of loans overall and in LMI tracts declined by at or over 30% in 2017. Dollars loaned followed similar trends.**

TABLE 12: MULTIFAMILY LENDING AMONG RETAIL BANKS ($ IN MILLIONS)												
	2014	2015	2014-15	# banks	2015	2016	2015-16	# banks	2016	2017	2016-17	# banks
Multifamily Loans #	3712	4333	17%	20	4333	3533	-18%	20	3533	2599	-26%	19
Multifamily Loans $	$17180	$21646	26%	20	$21646	$16871	-22%	20	$16871	$13182	-22%	19
... in LMI Tracts #	1878	2373	26%	20	2373	2188	-8%	20	2188	1545	-29%	19
... in LMI Tracts $	$7339	$10132	38%	20	$10132	$9887	-2%	20	$9887	$6677	-32%	19

Multifamily lending among banks in this study decreased again in 2017, down 26% in 2017, after a 18% decrease in 2016. This matches industry trends and likely reflects a decline in refinance lending as interest rates rise. For example, according to an industry study cited in the press, the volume of deals reached a seven year low in 2017.[29] Lending in lower-income tracts declined by about a third in volume and dollar amount.

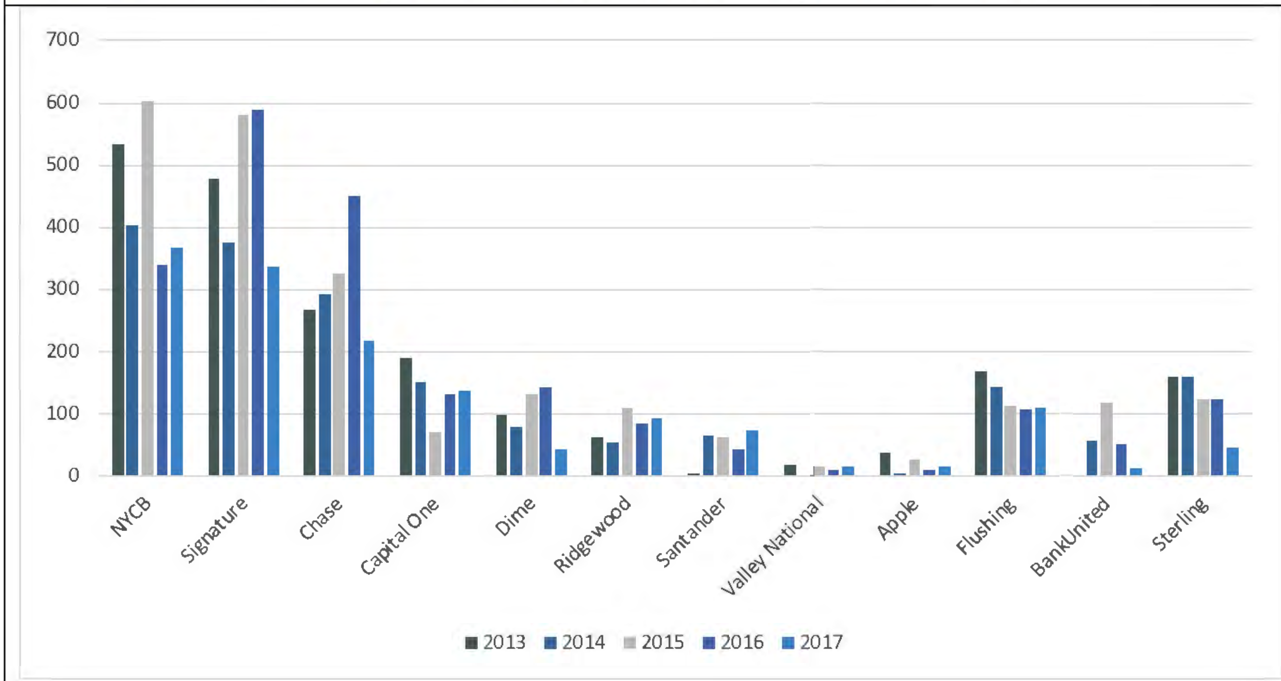
Among the top lenders in 2016 and 2017, the sharpest declines were at Signature, Chase, Dime and BankUnited. New York Community Bank increased slightly, but its level of lending is still well below 2013 to 2015 levels. Other lenders not assessed in this study remain active in the multifamily space, including banks such as Customers Bank, Investors Bank, First Republic Bank, Peapack-Gladstone Bank, and People's United Bank, as well as many non-bank lenders, such as Madison Realty Capital. There are

Multifamily Lending among top volume lenders - all lending in NYC (#)



29 Maurer, Mark. "Did the NYC multifamily market almost die in 2017?" The Real Deal, Feb. 22, 2018. https://therealdeal.com/2018/02/22/did-the-nyc-multifamily-market-almost-die-in-2017/

Multifamily Lending among top volume lenders - Lending in LMI tracts (#)



also a few prolific non-bank lenders that sell loans to Fannie Mae and Freddie Mac. CBRE, Berkadia, Arbor and Greystone are among the top lenders that sold to the GSE's in 2018.[30] While all non-bank lenders deserve additional scrutiny, non-bank lenders that don't lend to Fannie or Freddie warrant additional scrutiny as they don't even have to follow those institutions' lending guidelines. And none of the non-bank lenders have the same supervision structure as banks, such as undergoing CRA exams or safety and soundness evaluations. This raises concerns about the impact their underwriting practices could have on tenants and on the stock of affordable housing.

In 2017, New York Community Bank made the highest volumes of loans overall and in lower-income neighborhoods, followed by Signature Bank and Chase. Dime dropped to 5th highest in volume overall and 7th highest in volume in LMI tracts, from 4th highest in 2016 in both categories. Sterling dropped to 12th in overall volume – a particularly concerning decline given Sterling's acquisition of Astoria, which had a higher volume in prior years.

Among the large volume multifamily lenders that made over 100 loans in 2017, Signature Bank made the highest percentage of loans in lower-income tracts with 73%, followed by Ridgewood with 68%. All of the large-volume lenders except Dime had just about at or over 50% of their loans in LMI tracts (Chase was at 49%), but Dime's concentration dropped to 33%. Apple, Wells Fargo, and Valley National, too, were at 33% or below.

30 Lane, Ben. "Fannie Mae Reveals the Top Multifamily Lenders of 2018," HousingWire, Jan. 25, 2019. https://www.housingwire.com/articles/48009-fannie-mae-reveals-the-top-multifamily-lenders-of-2018. *See also* "Freddie Mac Names Top Multifamily Lenders for 2018," Freddie Mac, Jan. 17, 2019. https://freddiemac.gcs-web.com/news-releases/news-release-details/freddie-mac-names-top-multifamily-lenders-2018

Table 13: Highest Percentage of Multifamily Loans in LMI tracts 2016 and 2017 ($ millions)												
	2016						2017					
	Total (#)	Total ($)	… LMI (#)	… LMI ($)	% LMI (#)	% LMI ($)	Total (#)	Total ($)	… LMI (#)	… LMI ($)	% LMI (#)	% LMI ($)
Largest												
Citibank	16	$338	12	$193	75%	57%	3	$74	3	$74	100%	100%
M&T	34	$320	20	$214	59%	67%	22	$94	15	$67	68%	72%
Capital One	249	$997	133	$565	53%	57%	228	$701	138	$327	61%	47%
Santander	70	$419	45	$269	64%	64%	130	$985	74	$515	57%	52%
Chase	793	$2526	450	$1358	57%	54%	445	$1647	219	$735	49%	45%
Wells Fargo	29	$1262	15	$456	52%	36%	34	$1722	13	$441	38%	26%
Bank of America	1	$3.30	0	$0.00	0%	0%	3	$8.90	1	$3.56	33%	40%
TD Bank	13	$78	5	$30	38%	38%	3	$15	1	$2.75	33%	18%
HSBC	0	$0	0	$0	-	-	0	$0	0	$0	-	-
Smaller												
Sterling	232	$812	125	$444	54%	55%	64	$304	48	$240	75%	79%
Signature	704	$3674	588	$2893	84%	79%	462	$2346	338	$1292	73%	55%
Ridgewood	125	$317	85	$185	68%	58%	132	$365	93	$236	70%	65%
NYCB	482	$2910	340	$1684	71%	58%	537	$3115	367	$2047	68%	66%
Popular Community	27	$238	17	$156	63%	66%	24	$141	16	$87	67%	62%
Flushing	175	$302	108	$190	62%	63%	173	$355	110	$214	64%	60%
BankUnited	100	$719	53	$420	53%	58%	24	$181	14	$116	58%	64%
Emigrant	48	$20	24	$9.50	50%	47%	36	$24	18	$9.50	50%	39%
Dime	296	$1320	144	$660	49%	50%	135	$533	44	$173	33%	32%
Apple	69	$338	12	$70	17%	21%	65	$284	16	$50	25%	18%
Valley National	70	$279	12	$89	17%	32%	79	$288	17	$46	22%	16%

- **The volume of multifamily lending that qualifies as a community development loan under the CRA also decreased sharply in 2017; down 30% in volume and 36% in dollars loaned.**

TABLE 14: MULTIFAMILY COMMUNITY DEVELOPMENT LENDING 2014-15, 2015-16, 2016-17												
	2014	2015	2014-15	# banks	2015	2016	2015-16	# banks	2016	2017	2016-17	# banks
MF CD lending (#)	1024	1138	11%	17	1138	1162	2%	17	1161	825	-29%	16
MF CD lending ($)	$5888	$4681	-20%	17	$4681	$5300	13%	17	$5294	$3388	-36%	16

Here, we specifically examine multifamily loans for which banks also seek credit as community development loans. Typically, these are buildings — deed-restricted or not — where over 50% of the units are affordable to lower-income tenants; banks may also get CRA credit if the building is otherwise determined to contribute to neighborhood stabilization or provide another community service. Overall, the number and dollar amount of community development loans decreased by at or over 30%, with both well below 2014 levels. The numbers at individual banks reflect the banks that focus more on affordable rent-stabilized buildings (see table 15). However even among those banks, the number of community development loans is down. For example, Ridgewood counted almost all of its multifamily loans as community development loans in 2016, but that dropped to 54% in 2017; New York Community Bank counted nearly half in 2016 and that dropped to 32% in 2017. Flushing had the highest percentage in 2017, with 81% by volume and 45% by dollar amount of all multifamily loans counting for community development credit. Emigrant, Capital One, and Signature's volumes were more consistent year over year, with about 40%-45% of their loans as community development loans in 2016 and 2017. The highest volumes of multifamily community development loans were at Signature, NYCB, Flushing, and Capital One. Chase, on the other hand, has a similar high volume of loans overall, but much fewer that count for community development credit; 8% (67 buildings) in 2016 and 11% (45 buildings) in 2017.

Some multifamily community development loans are for deed-restricted and even permanently affordable housing, and we encourage banks to continue and increase that lending. But most of the higher-volume banks' multifamily affordable housing loans are for rent-regulated buildings, and banks are critical to preserving this stock of housing.

As we've said in prior years, the lower volume and percentage of multifamily community development loans by Chase likely means that the bank meets its community development lending goals in other areas. As a result, Chase and perhaps similarly situated banks may not track affordability as closely in their standard multifamily lending. Chase made nearly 800 loans in 2016 and 445 in 2017; as of December 2018, they had over 50,000 rent-stabilized units in their portfolio. While we certainly value that they seem to be putting forth more intentional deals for CRA credit, such as loans for deep affordable housing, we want banks and regulators to track affordability in private housing where rents are more affordable, regardless of whether or not they get CRA credit for such buildings.

TABLE 15: HIGHEST PERCENTAGE OF MULTIFAMILY LOANS SUBMITTED FOR COMMUNITY DEVELOPMENT CREDIT

	2016						2017					
	All (#)	All ($)	MF CD (#)	MF CD ($)	% CD (#)	% CD ($)	All (#)	All ($)	MF CD (#)	MF CD ($)	% CD (#)	% CD ($)
Largest												
Citibank	16	$338	14	$290	88%	86%	3	$74	3	$74	100%	100%
TD Bank	13	$78	0	$0.0	0%	0%	3	$15	2	$7.80	67%	50%
Capital One	249	$997	112	$978	45%	98%	228	$701	106	$495	46%	71%
Santander	70	$419	18	$127	26%	30%	130	$985	42	$260	32%	26%
Chase	793	$2526	67	$196	8%	7.8%	445	$1647	48	$146	11%	8.9%
M&T	34	$320	7	$158	21%	49%	22	$94	0	$0.00	0%	0%
Bank of America	1	$3.30	0	$0.00	0%	0%	3	$9	0	$0.00	0%	0%
Smaller												
Flushing	175	$301.61	150	$151	86%	50%	173	$355	140	$160	81%	45%
Ridgewood	125	$317	113	$155	90%	49%	132	$365	71	$200	54%	55%
Emigrant	48	$20	21	$8.85	44%	44%	36	$24	17	$8.88	47%	37%
Signature	704	$3674	269	$1240	38%	34%	462	$2346	180	$712	39%	30%
NYCB	482	$2910	226	$1211	47%	42%	537	$3115	172	$1122	32%	36%
Sterling	232	$812	57	$195	25%	24%	64	$304	20	$119	31%	39%
Apple	69	$338	12	$70	17%	21%	65	$284	11	$37	17%	13%
Dime	296	$1320	62	$242	21%	18%	135	$533	10	$30	7.4%	5.7%
BankUnited	100	$719	17	$183	17%	25%	24	$181	1	$9.40	4.2%	5.2%
Valley National	70	$279	16	$89	23%	32%	79	$288	2	$6.10	2.5%	2.1%
Popular Community	27	$238	1	$5.85	3.7%	2.5%	24	$141				

- **More institutions are signing onto ANHD's Responsible Banking best practices and endorsing responsible lending guidelines to protect tenants.**

Responsible lending is critical to preserving the affordable rent-regulated housing in the City. *Bad lending is as destructive as good lending is necessary.* Multifamily lenders must understand the rent-regulation system and how to underwrite these loans appropriately, so that owners of these buildings are encouraged to preserve affordability, and penalized when they are found to be harassing or evicting lower-rent paying tenants in order to drive up the rents. Regulators must hold banks accountable for loans to landlords that engage in such tactics.

All lenders, especially those with rent-regulated buildings, should commit to best practices and lend only to landlords who demonstrate a commitment to maintaining buildings in good condition, in a way that does not lead to displacement or harassment. Some institutions have taken positive steps:

- **Signature Bank,** who, in July 2018, signed onto ANHD's best practices and appointed a tenant liaison to help tenants resolve issues with their landlords.[31]
- **The New York** State's Department of Financial Services, who in September 2018: issued guidelines for all state-chartered banks that closely mirror our best practices.[32] The guidelines send a strong message: banks are accountable to tenants. The new set of guidelines follows and expands upon similar DFS guidelines in 2015 for loans submitted for CRA credit; the guidelines now apply to all loans.
- **New York Community Bank,** who entered into a historic CRA agreement with ANHD committing publicly to a set of best practices in multifamily lending.[33] The bank formally committed to this in October 2017 as part of its application to merge its commercial and community banks, but the bank had been operating under those practices for longer. The agreement with ANHD also includes other CRA commitments beyond multifamily lending.

These new commitments and guidelines are positive trends, but as the findings below show, there is more work for banks to do to fully implement them and for regulators to enforce new and existing guidelines.

There are more and more tools these days that banks and regulators can consult for information about potential bad actors, current conditions, and indicators of distress or harassment. The details truly matter in making these guidelines effective, rather than just words on paper.

SEVERAL BANKS IN THIS STUDY FINANCE BUILDINGS THAT ARE, OR AT RISK OF, SPECULATION AND HARASSMENT

We analyzed buildings and units in the BIP database that are at risk of displacement, as determined by being on the Certificate of No Harassment (CONH) pilot list and the speculation watchlist. Our findings are summarized in table 16.

Among banks in this study that finance buildings on the Certificate of No Harassment list:

- Signature, New York Community Bank, and Chase financed the most CONH buildings: 134, 99, and 26, respectively
- Signature, New York Community Bank, and Sterling financed the most units: 3875, 3578, 1012, respectively
- Customers and Investors (not in this study) have large volumes of CONH buildings as well; Customers has 43 buildings / 1273 units and Investors has 34 buildings and 1202 units.

31 "Community Development," Signature Bank, https://www.signatureny.com/about-us/community-development-0717 (last accessed March 19, 2019).
32 Weisberg, Jaime. "New York State to Lenders: You *Are* Accountable for Multifamily Displacement Lending," the Ass'n for Neighborhood & Housing development (Oct. 10, 2018). https://anhd.org/blog/new-york-state-lenders-you-are-accountable-multifamily-displacement-lending
33 https://anhd.org/wp-content/uploads/2017/11/NYCB-CRA-Pledge-2017-19.pdf

Four banks in this study also financed buildings on the speculation watchlist: Signature financed seven buildings (222 units); New York Community Bank has 6 buildings (138 units), Chase: 2 (41 units), and Deutsche Bank: 2 buildings (248 units).

Table 16: Buildings/Units in Certificate of No Harassment (CONH) Pilot list and loss of rent-stabilized units (buildings financed in previous 10 years)

	All Buildings		Certificate of No Harassment pilot list				Rent-Stabilized Units*			
	Bldgs	Units	# Bldgs	% Bldgs	Units	% Units	Rent-stab 2007	Rent-stab 2017	Loss 2007-17	% loss
Largest										
HSBC	72	1832	2	2.8%	12	0.7%	474	237	-237	-50%
Bank of America	87	2300	2	2.3%	28	1.2%	1045	994	-51	-5%
M&T	298	12412	5	1.7%	163	1.3%	7238	6784	-454	-6%
Capital One	1307	56738	16	1.2%	487	0.9%	41467	39518	-1949	-5%
Citibank	91	2931	1	1.1%	25	0.9%	1561	1601	40	3%
Santander	982	43696	10	1.0%	556	1.3%	21445	20609	-836	-4%
Chase	3014	78819	26	0.9%	621	0.8%	56199	50231	-5968	-11%
Wells Fargo	317	33136	2	0.6%	12	0.0%	3824	3816	-8	0%
TD Bank	225	7107	0	0.0%	0	0.0%	2256	1953	-303	-13%
Smaller										
Signature	2735	75352	134	4.9%	3875	5.1%	54245	49480	-4765	-9%
Ridgewood	486	7903	23	4.7%	338	4.3%	5728	4928	-800	-14%
BankUnited	334	10428	10	3.0%	669	6.4%	7984	7473	-511	-6%
NYCB	3896	169394	99	2.5%	3578	2.1%	108464	100237	-8227	-8%
Sterling	1477	53165	29	2.0%	1012	1.9%	27463	24092	-3371	-12%
Valley National	496	26360	9	1.8%	181	0.7%	2507	1879	-628	-25%
Emigrant	217	1834	3	1.4%	20	1.1%	832	675	-157	-19%
Popular Comm.	183	3054	2	1.1%	67	2.2%	1166	1175	9	1%
Dime	1299	32006	11	0.8%	301	0.9%	21897	18488	-3409	-16%
Flushing	1385	23119	10	0.7%	371	1.6%	13909	12686	-1223	-9%
Apple	420	22996	2	0.5%	160	0.7%	12436	11362	-1074	-9%
Wholesale										
BNY Mellon	131	9130	2	1.5%	54	0.6%	1279	1051	-228	-18%
Deutsche Bank	101	5438	1	1.0%	35	0.6%	3408	3157	-251	-7%
Goldman Sachs	18	729	0	0.0%	0	0.0%	78	482	404	518%
Morgan Stanley	5	346	0	0.0%	0	0.0%	94	90	-4	-4%

*These numbers originate from taxbills.nyc which captures rent-regulated unit numbers from the NYC Department of Finance

BANKS CONTINUE TO LEND ON PHYSICALLY DISTRESSED BUILDINGS WITH MANY VIOLATIONS, AND HAZARDOUS CONDITIONS

When a building reaches a high state of distress, such that it appears on one or more list of buildings tracking distressed assets, it likely needs considerable work to bring the building up to code. Banks lending without a clear plan for their borrowers to address these issues and protect tenants leaves tenants vulnerable to poor conditions and/or harassment and displacement.

In the next table, we analyze recently-financed buildings using the December 2018 BIP database. Table 20 shows the lenders with the highest percentages of Buildings with a BIP score over 800, indicating the building is at-risk of being in physical and/or financial distress. Among the larger banks in our study, HSBC, Wells Fargo, and M&T had the highest percentage of buildings; HSBC, Bank of America and M&T had the highest percentages of units, but they comprise a small volume of buildings at each. Ridgewood, Popular Community, and Signature had the highest percentage of buildings in distress among the smaller banks. Signature, New York Community Bank, and Chase have the most buildings in distress overall (34, 22, 18, respectively). Signature, New York Community Bank, and Capital One had the most units (1115, 929, and 664, respectively). We recognize these make up a small percentage of their portfolios, but still impact many people.

TABLE 17: DATA FROM BUILDING INDICATOR PROJECT (BIP) DATABASE DEC 2018 – ANALYZING BUILDINGS FINANCED IN PREVIOUS 10 YEARS

	Total		BIP/Distress				B+C violations: units >=4				Avg. Open Violations Per unit
	Bldgs.	Units	>800	% bldgs	>800	% units	BC: units 4	% bldgs	BC: units 4	% units	
Largest											
HSBC	72	1,832	4	5.6%	32	1.7%	13	18%	84	4.6%	2.77
Wells Fargo	317	33,136	8	2.5%	52	0.2%	26	8.2%	165	0.5%	1.47
M&T	298	12,412	5	1.7%	222	1.8%	5	1.7%	30	0.2%	0.74
Bank of Amer.	87	2,300	1	1.1%	98	4.3%	2	2.3%	22	1.0%	0.89
Capital One	1307	56,738	13	1.0%	664	1.2%	16	1.2%	212	0.4%	0.75
Chase	3014	78,819	18	0.6%	297	0.4%	108	3.6%	1,019	1.3%	1.02
TD Bank	225	7,107	1	0.4%	10	0.1%	5	2.2%	38	0.5%	0.76
Santander	982	43,696	3	0.3%	86	0.2%	13	1.3%	198	0.5%	0.68
Citibank	91	2,931	0	0.0%	0	0.0%	9	9.9%	57	1.9%	1.57
Smaller											
Popular Comm.	183	3,054	5	2.7%	84	2.8%	11	6.0%	89	2.9%	1.15
Ridgewood	486	7,903	9	1.9%	62	0.8%	24	4.9%	221	2.8%	1.41
Signature	2735	75,352	34	1.2%	1,115	1.5%	97	3.5%	917	1.2%	1.15
BankUnited	334	10,428	3	0.9%	67	0.6%	8	2.4%	111	1.1%	0.93
Flushing	1385	23,119	10	0.7%	259	1.1%	56	4.0%	477	2.1%	1.14
Apple Bank	420	22,996	3	0.7%	176	0.8%	4	1.0%	186	0.8%	0.50
Dime	1299	32,006	8	0.6%	99	0.3%	25	1.9%	307	1.0%	0.89
NYCB	3896	169,394	22	0.6%	929	0.5%	39	1.0%	636	0.4%	0.78
Emigrant	217	1,834	1	0.5%	9	0.5%	7	3.2%	61	3.3%	1.17
Valley National	496	26,360	2	0.4%	47	0.2%	6	1.2%	60	0.2%	0.46
Sterling	1477	53,165	4	0.3%	89	0.2%	16	1.1%	183	0.3%	0.67
Wholesale											
Deutsche Bank	101	5438	6	5.9%	106	1.9%	11	11%	93	1.7%	1.95
BNY Mellon	131	9130	4	3.1%	28	0.3%	5	3.8%	39	0.4%	0.87
Goldman Sachs	18	729	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.70
Morgan Stanley	5	346	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1.51

In addition to high BIP scores, other trends are worth noting. HSBC's portfolio has the highest average violations per unit, followed by Deutsche Bank and Citibank. Among the larger portfolios, Ridgewood, Emigrant, and Signature average over 1.15 violations per unit. The citywide average of buildings financed in the past 10 years is 1.1, and that increases to 1.19 for all buildings. Buildings are also likely to be in physical distress if they have a high ratio of B and C violations issued to units by New York City's Department of Housing Preservation and Development (HPD). HPD issues these violations for hazardous conditions in an apartment, such as lead paint and lack of heat and hot water in the winter. Among the lenders in this study, Chase, Flushing, and Signature Bank once again have the most buildings and units with a ratio of at least 4:1 violations to units; 108 buildings at Chase; 97 buildings at Signature Bank, and 56 buildings at Flushing. Popular, Ridgewood, and Emigrant also have sizeable multifamily portfolios, even if lower in volume than Signature, Chase and NYCB, and all had higher percentages of buildings and units with these ratios: 6% of Popular Community's buildings and 3% of units; 5% of Ridgewood's buildings and 2.8% of units.

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

The **Public Advocate's Worst Landlord list** is another indicator of banks making loans that may have a destabilizing impact on the community. ANHD's analysis of the most recent list of buildings released in December of 2018 indicates Signature has the most multifamily loans of any bank lender once again – for the third year in a row. The list was published with data from October 2018. As of December 2018, Signature held the most loans of any bank lender, with 47 buildings (779 units), followed by 18 buildings (770 units) at NYCB and 15 buildings (289 units) at Chase (9 financed in the past 10 years). Five buildings on the list owned by Silvershore properties were later sold to Delshah and financed by Signature Bank, with a troubling plan to raise rents 31%[34]. We encourage these, and all banks to ensure the landlords are properly maintaining their buildings, while protecting the rights and affordable rents of tenants.

RECOMMENDATIONS

CRA-covered banks should:

- **Meet credit needs that enable healthy multifamily lending in low- and moderate-income neighborhoods.** Healthy lending is the lifeblood of multifamily housing. We have seen the consequences of disinvestment in lower-income communities and communities of color. Unregulated, non-bank lenders are on the rise and receive much less oversight from state and federal regulators. We need banks at the table making responsible loans equitably in all communities, including low- and moderate-income neighborhoods.
- **Increase the volume of multifamily lending that qualifies as a community development loan under the CRA.** Community development loans in this context include responsible mortgages on affordable rent-regulated buildings, project-based Section 8 buildings, and other affordable housing projects.
- **Commit to best practices in multifamily lending.**
    - Underwrite to a debt service coverage ratio of 1.2X or above, based on current rents and realistic maintenance costs. This includes underwriting to any preferential rents in rent-regulated units, rather than the higher registered rent. Consider measures to discourage borrowers from taking

34 https://therealdeal.com/2018/10/19/delshah-capital-closes-on-28-property-portfolio-for-102m/

out additional debt if it causes the building to go below responsible debt service coverage ratio limits.

- Avoid financial provisions that may lead to displacement, such as buyouts, MCIs or hazardous construction. Monitor how funds are used for renovation to ensure existing tenants are safe.

- Inspect the building itself and review conditions of the building and others owned by the prospective borrower when evaluating a loan application.

- Identify, and refrain from lending to, bad actor landlords.

  - Analyze housing violation counts, New York City Department of Buildings violations, loss of rent-regulated units, and other indicators on established lists such as the Building Indicator Project (BIP) database, HPD's distressed asset list, ANHD's Displacement Alert Project databases, and additional indicators as they become available to identify displacement, loss of rent-regulated units, and harassment.

  - Scrutinize landlords on the Public Advocate's "Worst Landlord List," and under investigation by government agencies. Consult media reports online.

- Work with all parties – tenants, government and borrower – when any issues surface. If a prospective borrow refuses to address the issue, the bank should decline to make the loan.

- Plan for strong tenant engagement. Banks must have a process to work with tenants in buildings owned by landlords they finance to address ongoing concerns. Regular communication with tenants and tenant organizers also serves as a resource regarding problematic landlords and overall issues faced by tenants in rental housing, and especially rent-regulated housing.

- **Participate in First Look Program.** Even with the best of intentions, some loans will go bad. Banks should participate in the First Look program developed by ANHD, HPD, and the New York City Council to transfer distressed properties to responsible preservation-minded developers, thus preserving much-needed affordable housing.

Regulators should:

- **Hold banks accountable for financing bad actor landlords.** The New York State Department of Financial Services (DFS) took an important step in declaring that loans that result in a loss of affordable housing or poor conditions will not get community development credit on CRA exams.[35] They went even further in issuing guidelines regarding responsible multifamily lending for all state-chartered banks. The FDIC and the Federal Reserve have been following some similar CRA practices. We urge the OCC to follow suit, and **for all regulators to issue similar comprehensive guidance and make it as publicly known as DFS.** Also, **any multifamily guidance should extend to any loan made by the bank, and any buildings used as collateral for a loan**, not just those submitted for CRA credit. Destructive lending of any sort should have a negative impact on a bank's CRA rating.

- **Hold non-bank lenders to the same strict standards as bank lenders.** Currently, non-bank lenders are not covered by the CRA or any oversight by federal or state bank regulators, which means little or no consequences for fueling displacement with their lending.

35 https://dfs.ny.gov/docs/legal/industry/il141204.pdf

1-4 FAMILY LENDING

BACKGROUND

Though New York is primarily a city of renters, nearly a third of New Yorkers own their own homes, and homeownership remains an important source of housing and wealth-building[36] over the long term, and especially with safer lending guardrails. Small 2-4 family homes also have the potential to provide additional income for homeowners, and affordable housing for renters.

Unfortunately, the homeownership rate has not moved much since 2005, and the great recession of 2008 wiped out wealth for way too many homeowners of color. The lessons from the crisis only reinforce the need for government to protect consumers from excessive corporate greed and predatory practices that target communities of color. This includes good policies and strong enforcement of consumer protection laws. High home prices, coupled with the rise in low-wage jobs, lack of access to credit and financial assistance, and persistent racial inequities, has been putting homeownership further out of reach, or at risk, for lower-income New Yorkers, immigrants, and people of color.

1-4 family loans are a key component of a bank's CRA exam, making up a significant portion of the lending test. Banks are evaluated on a number of factors related to 1-4 family loans, including the volume of lending overall, the percentage of loans inside the bank's assessment areas, the percentage of loans to LMI borrowers and in LMI census tracts, and an analysis of how their mortgage products and practices meet the needs of LMI borrowers. On CRA exams, banks also have the option of including loans made by non-bank affiliates that they own. Independent non-bank lenders and credit unions are not evaluated at all under the CRA as they are not depository institutions like banks.

Banks must do more –on their own and in partnership with government and nonprofits – to make homeownership accessible to lower-income and minority New Yorkers. New York State has one of the highest home prices in the nation and prices in New York City are particularly high and rising. Each month, the Federal Reserve Bank of New York reports on home prices as compared to the previous year, and since 2012 the prices of homes throughout New York City were found to be at or higher than they were the previous year. As of December 2017, home prices in Queens and the Bronx were nearly 10% higher than in 2016.[37] Further compounding this issue is the phenomenon of investors purchasing affordable homes. The Center for NYC Neighborhoods (CNYCN) found that in 2016, 64% of affordable 1-4 family homes were purchased by investors, as were versus 23% of condos and 4% of coops[38]. While many of these are all-cash deals, there were a considerable number of investor properties in HMDA as well. *This means that banks are lending to investors who do not live in the home they are buying, thereby taking that stock of housing away from potential homeowners. And, depending on the price of the home and amount of the mortgage, any rental housing that results from the purchase may also be out of reach for low-income New Yorkers.* Rent-stabilized housing can only apply to buildings with 6 or more units, which excludes 1-4 family housing. As such, we must find other tools to ensure that the rental housing remains affordable.

36 "Update on Homeownership Wealth Trajectories Through the Housing Boom and Bust," Joint Center for Housing Studies of Harvard University (Feb. 2016). http://www.jchs.harvard.edu/sites/default/files/2013_wealth_update_mccue_02-18-16.pdf

37 "Change in Home Prices," Federal Reserve Bank of New York. https://www.newyorkfed.org/home-price-index/index.html (last accessed Mar. 19, 2019).

38 "Aftermath: Affordable Homeownership in New York City", Center for NYC Neighborhoods (2018) https://s28299.pcdn.co/wp-content/uploads/2018/10/CNY002-AH-Summit-Report_v7_FINAL_online.pdf

Mortgage interest rates also impact lending patterns as lower interest rates reduce the cost of borrowing. Interest rates have been relatively low for many years, well below pre-recession levels. From 2012 to 2017, interest rates hovered mostly between 3.5% and 4.5%, even going below 3.5% in a few months. While they rose a bit higher in the last year, the rates are still historically low, especially when compared to rates well over 10% and 15% back in the 80's and early 90's.[39] The combination of increased equity and low interest rates likely contributed to the refinance boom nationwide in 2012, but they dropped off sharply in 2013 and continued to decline into 2014, only starting to come back again in 2015 and 2016. Bank CRA products sometimes offer lower interest rates, which can be a meaningful way to bring down the cost of housing for lower-income borrowers.

While the CRA focuses only on the *income* of borrowers and neighborhoods, the law came about as a result of outright *racial* discrimination and disinvestment in low-income communities of color. **The CRA should never have been colorblind; banks should have an affirmative obligation to lend to borrowers of color**. The CNYCN study highlights that Black and Latino homeowners are underrepresented in New York City, making up 45% of city households yet just 30% of homeowners.[40] The data outlined in this chapter demonstrate a much starker gap for loans originated to Black and Latino borrowers in 2017: below 8% each to Black or Latino borrowers.

This report mainly focuses on loans originated by the lender on owner-occupied, 1-4 family homes; we look separately at first-lien home purchase loans, first-lien refinance loans, and home improvement loans of any lien status, as a repair loan may be secondary to an existing loan. We look at lending to LMI borrowers and borrowers of color. We include non-bank affiliates with each bank, and in some cases evaluate lending by other CRA-covered lenders and non-bank lenders not covered by the CRA as a point of comparison. Due to the limited nature of this report, we do not examine lending patterns by bank in LMI tracts, but we do understand the importance of lending in underserved neighborhoods.

The CRA should never have been colorblind; banks should have an affirmative obligation to lend to borrowers of color.

Currently, CRA regulators evaluate loans banks purchase from other institutions together with loans they originate themselves. However, ANHD believes that the origination of a loan is much more impactful than the purchase of a loan, as only origination directly results in a new loan to an individual person. In very limited instances, a bank may purchase loans from a nonprofit lender and truly create liquidity for that lender to make more loans to underserved populations, but usually purchased loans are simply banks buying loans from other banks or lenders in order to meet CRA obligations. Regulators also evaluate owner-occupied loans with investor properties (those that are not owner-occupied). Here, we focus on owner-occupied homes since our concern is the immediate benefit to everyday New Yorkers in their communities, and investment properties operate more like a business.

39 http://www.freddiemac.com/pmms/

40 "Aftermath: Affordable Homeownership in New York City," The Ctr. for New York City Neighborhoods (Oct. 2018), https://s28299.pcdn.co/wp-content/uploads/2018/10/CNY002-AH-Summit-Report_v7_FINAL_online.pdf.

PRINCIPLES

- **Banks should be lending at healthy levels, maintaining or increasing lending each year.**

  Homeownership is a key piece of bank reinvestment. The banks in this study include some of the largest banks in the city, each with a large lending platform, and they should maintain or increase their presence in this space. We would expect them to match or exceed citywide trends.

- **CRA-covered lenders must meet the credit needs of all New Yorkers equitably**. Banks should increase access to homeownership and equity by originating loans to lower-income people, immigrants, and people of color to purchase, refinance, and improve their homes. As described below, when banks pull back, nonbanks step in; those institutions are less regulated and more likely to engage in abusive behaviors as regulations are repealed and the market heats up. Also, lending to upper income people in LMI tracts can fuel displacement – the focus should be on helping increase wealth and assets for historically redlined people.

- **Banks must lend equitably to people of color.**

  The CRA is color-blind and, especially given its origins, it never should have been. Anti-discrimination laws are clearly not sufficient to increase lending to people of color. Disparities in homeownership and lending persist to this day and require proactive solutions in the form of products, financial assistance, targeted outreach. Banks should have an affirmative obligation to lend to people of color.

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

  Banks must take an intentional approach to reaching historically redlined communities with quality affordable products and supports to ensure the best chance of success. This involves affordable portfolio and government sponsored products, financial assistance, and culturally appropriate staffing and outreach. Banks should partner with nonprofit community-based organizations that provide homeownership counseling, credit counseling, and staff who can help guide borrowers through the process. Banks must also have a robust process to prevent and manage homeowners in or at risk of foreclosure, making all efforts to keep people in their homes.

- **Regulators and legislators should update the CRA so that all lenders – banks and non-banks – are held to the highest standards of equitable and fair lending.**

  Increasingly, we are seeing a rise in non-bank mortgage lenders, as well as online lending by banks and non-banks. In recent years, non-bank lenders have been lending more to borrowers of color than CRA-covered banks, but with no obligation to offer affordable mortgage products, financial assistance, or connection to HUD-certified counseling. All lenders should be covered by the CRA, and their record of lending should be evaluated in all areas where they make loans, be it through branch networks, online, or through other channels. CRA modernization being considered by the federal bank regulars and legislators must incorporate this principle.

TRENDS & FINDINGS

- **Citywide, home purchase and home improvement lending increased, while refinance lending decreased. The 21 retail banks in this study lagged citywide trends in almost all categories.**

Citywide, home purchase and home improvement lending increased from 2016 to 2017, and from 2013–2017, while refinance lending declined. Home purchase lending to LMI borrowers declined considerably year to year and from 2013. The 21 retail banks in this study lagged citywide trends in almost all categories. Only their home improvement lending to LMI borrowers outpaced the citywide trend.

TABLE 18: 1-4 FAMILY, OWNER-OCCUPIED LOANS ORIGINATED ($ millions)															
Home Purchase Loans - Lenders in ANHD study								**Home Purchase Loans – all lenders in New York City**							
	2013	**2014**	**...**	**2016**	**2017**	**2013-17**	**2016-17**		**2013**	**2014**	**...**	**2016**	**2017**	**2013-17**	**2016-17**
All (#)	16,229	14,003		14,226	14,157	-13%	-0.5%	All	28,249	26,067		28,186	29,184	3.3%	3.5%
All ($)	$8,138	$7,632		$9,150	$9,710	19%	6.1%	All $	$13,783	$13,410		$16,515	$18,020	31%	9.1%
LMI (#)	1,398	1,210		1,122	1,032	-26%	-8.0%	LMI	2,317	2,173		2,352	2,056	-11%	-13%
LMI ($)	$211	$181		$190	$176	-16%	-7.2%	LMI $	$405	$375		$472	$408	0.7%	-14%
% LMI (#)	8.6%	8.6%		7.9%	7.3%	-15%	-7.6%	% LMI (#)	8.2%	8.3%		8.3%	7.0%	-14%	-16%
% LMI ($)	2.6%	2.4%		2.1%	1.8%	-30%	-13%	% LMI ($)	2.9%	2.8%		2.9%	2.3%	-23%	-21%
Refinance Loans - Lenders in ANHD study								**Refinance Loans – all lenders in New York City**							
	2013	**2014**		**2016**	**2017**	**2013-17**	**2016-17**		**2013**	**2014**		**2016**	**2017**	**2013-17**	**2016-17**
All (#)	14,876	4,131		6,133	3,691	-75%	-40%	All	27,809	11,131		18,442	14,194	-49%	-23%
All ($)	$5,643	$1824		$3,311	$1,976	-65%	-40%	All $	$11,143	$4,821		$9,008	$6,750	-39%	-25%
LMI (#)	1,222	496		505	329	-73%	-35%	LMI	2,525	1,388		1,529	1,280	-49%	-16%
LMI ($)	$177	$72.32		$82.17	$50.47	-71%	-39%	LMI $	$478	$263		$309	$255	-47%	-17%
% LMI (#)	8.2%	12%		8.2%	8.9%	8.5%	8%	% LMI (#)	9.1%	12%		8.3%	9.0%	-0.7%	8.8%
% LMI ($)	3.1%	4.0%		2.5%	2.6%	-19%	3%	% LMI ($)	4.3%	5.4%		3.4%	3.8%	-12%	10%
Home Improvement Loans - Lenders in ANHD study								**Home Improvement Loans – all lenders in New York City**							
	2013	**2014**		**2016**	**2017**	**2013-17**	**2016-17**		**2013**	**2014**		**2016**	**2017**	**2013-17**	**2016-17**
All	1,125	869		1,082	1,137	1.1%	5.1%	All	1,820	1,432		1,931	2,173	19%	13%
All $	$288	$216		$376	$294	1.7%	-22%	All $	$495	$391		$635	$644	30%	1.4%
LMI	155	158		191	222	43%	16%	LMI	236	241		277	310	31%	12%
LMI $	$9.41	$8.89		$11.27	$12.82	36%	14%	LMI $	$19	$15		$23	$27	44%	17%
% LMI (#)	14%	18%		18%	20%	42%	11%	% LMI (#)	13%	17%		14%	14%	10%	-0.6%
% LMI ($)	3.3%	4.1%		3.0%	4.4%	34%	46%	% LMI ($)	3.7%	3.8%		3.6%	4.1%	11%	15%

Citywide, the number of home purchase loans have been steadily increasing since 2011. However, loans to LMI borrowers have not kept pace and actually dropped 13% in 2017 to below 2,100 for the first time in 5 years. Such loans had made up 8% to 9% of all loans each year through 2016 but dropped to 7% in 2017. After a steep drop in 2014, refinance lending had been increasing overall and to LMI borrowers since then, but both dropped again in 2017, down 23% overall and 16% to LMI borrowers. This decline is likely due to the increase in interest rates. As a result, the percentage to LMI borrowers actually increased from 8.3% to 9% of all refinance loans in 2017.

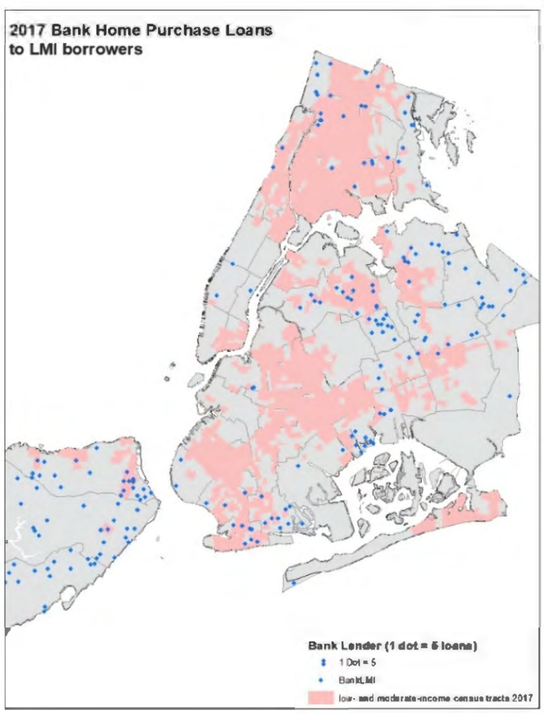
From 2013 to 2017 the banks in this study have trailed bank trends citywide in a few key areas, and the same was true this year. The banks in our study decreased the number of home purchase loans by 13% while lending overall increased 3.3%. The decline in loans to LMI borrowers was more than double the decline in lending citywide. However, we do note that from 2016 to 2017, the decline to lower-income borrowers was lower than the decline overall (down 8% versus 13% citywide). But, the decline in refinance lending overall and to LMI borrowers was much steeper than the decline citywide. Refinance loans to LMI borrowers decreased 47% citywide from 2013 to 2017 and 73% among banks in our study. Year to year, refinance lending citywide to LMI borrowers decreased 16%, but decreased double that rate (35%) among banks in our study.

Increasingly, home improvement/home repair lending is surfacing as a strong need to help lower-income homeowners stay in their homes. For example, a survey of homeowners in East New York found that 63% of homeowners had unmet housing needs.[41] The needs in other areas with an older housing stock are likely similar. Among banks in this study, home improvement lending was only slightly above 2013 levels, where lending citywide increased 19% in the same period. However, banks in this study outperformed the market in home improvement lending to LMI borrowers in particular, increasing 43% from 2013 and 16% from the prior year, both higher than the increase citywide.

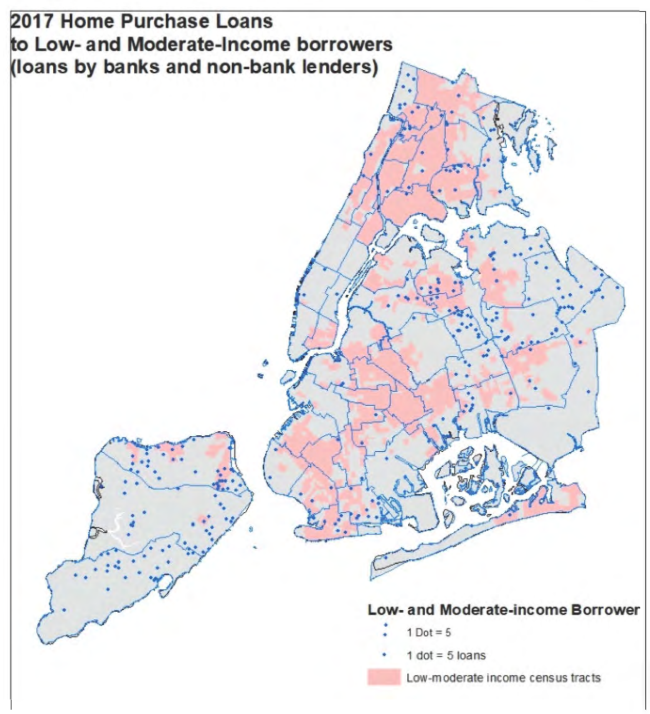
- **The number and percentage of home purchase loans to lower-income borrowers declined in 2017.**

Citywide and among banks in this study, both the number and percentage of home purchase loans to LMI borrowers declined. This trend held year to year, from 2016, and also when comparing to 2013. For refinance loans, lending declined across the board from 2016, but when looking longer-term, lenders overall increased lending to LMI borrowers slightly, whereas lending among lenders in this study declined sharply. Among banks in this study, just 7.3% of home purchase loans were to LMI borrowers, slightly higher than the 7% citywide.

Bank Loans to LMI borrowers, 2017



All Home Purchase Loans to LMI borrowers (banks and non-banks), 2017



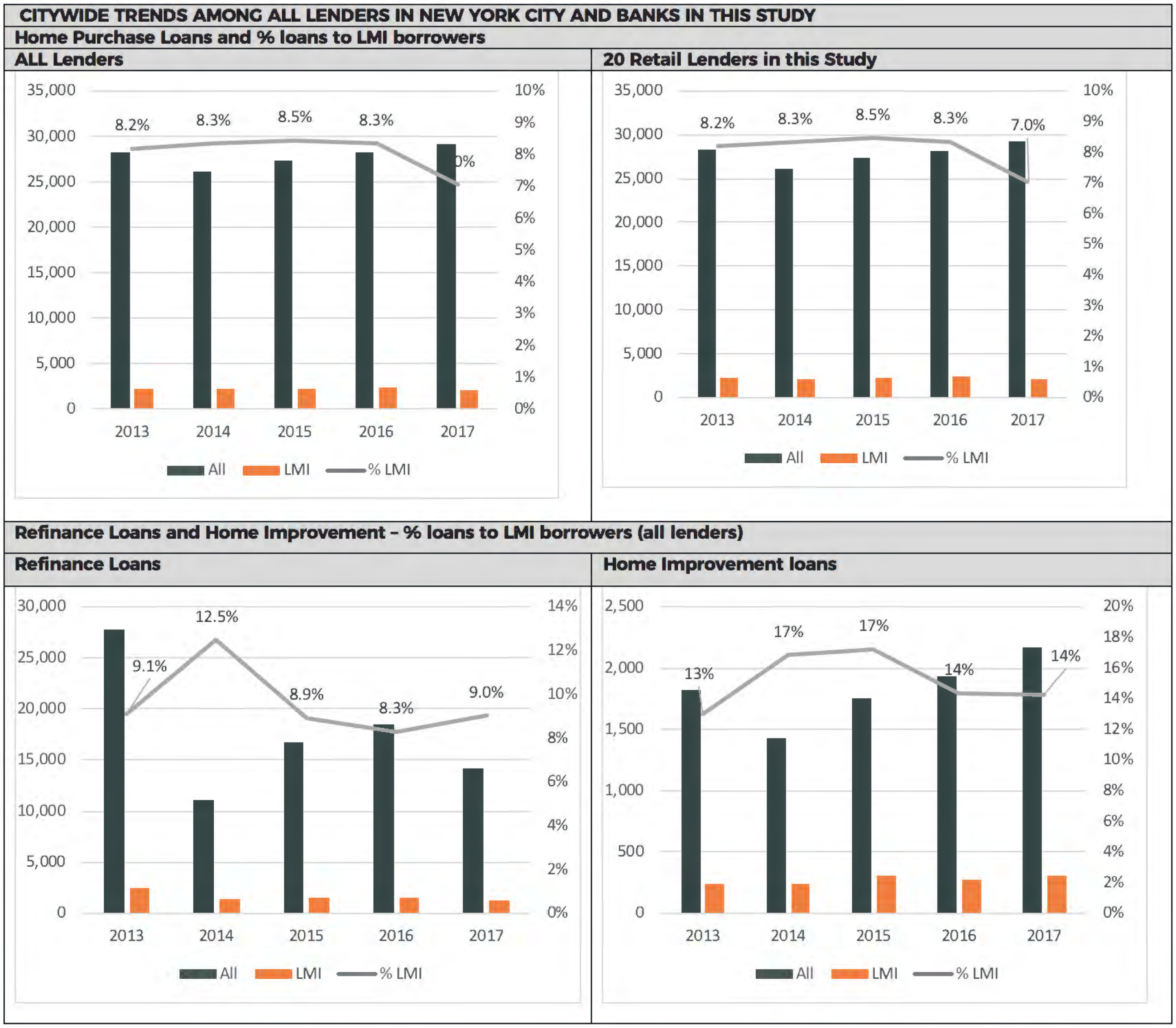
Public data shows how few loans are going to LMI borrowers, and also where the loans are – and aren't – being made. As the map above shows, LMI borrowers have few options in large areas of the City, especially throughout much of Manhattan and central Brooklyn.

The lower percentages in home purchase loans are certainly partly due to lack of inventory and supply. However, given the higher volume of lending by some lenders outside of this study – banks and non-

41 "East New York: Preserving Affordability in the Face of Uncertainty," Ctr. for NYC Neighborhoods (Fall 2017), https://s28299.pcdn.co/wp-content/uploads/2017/03/ENY-report-full.pdf.

banks – that is not the only reason. Some of the disparities among banks in our study have to do with the rise of nonbank lenders (as will be discussed later), but some of it also has to do with other regulated banks filling the void as the larger banks are pulling back overall and particularly in FHA and SONYMA lending. This is more the case with home purchase lending where banks like Citizens Bank, First American International Bank, and First Republic Bank are now among the top 10 bank lenders citywide. Despite having no branches in the City, Citizens Bank has increased its lending rapidly over the past few years, from 37 in 2013 to 101 in 2014, and up to over 1,000 loans in 2017. Among refinance lending, non-bank lenders are increasing their presence greatly, now making up 30% of home purchase loans and over half of all HMDA-reportable refinance loans in New York City.

CITYWIDE TRENDS AMONG ALL LENDERS IN NEW YORK CITY AND BANKS IN THIS STUDY



We continue to analyze the share of loans made by the "big four" banks: Bank of America, Chase, Citibank, and Wells Fargo. These are the largest banks in the country, with trillions each in assets and deposits. Their collective share of lending has been declining in New York City and nationwide – overall and more sharply in refinance lending. **The collective share of the Big Four Banks home purchase loans went from 48% of all loans in New York City in 2013 down to 41% in 2017. The share dipped below 40% of all loans to LMI borrowers in 2016 and 2017.** Their share of refinance loans dropped from 43% in 2013 down to just 20% in 2017. Wells Fargo maintains a large presence

TABLE 19: HIGHEST PERCENTAGES OF 1-4 FAMILY LOANS TO LOW- AND MODERATE-INCOME BORROWERS (BANKS IN THIS STUDY)

Home Purchase Loans

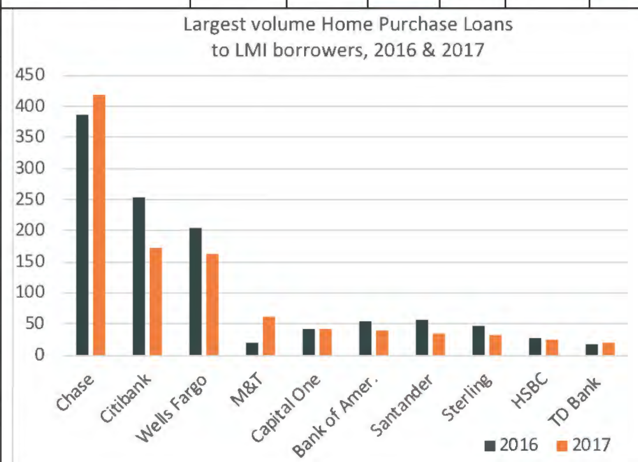
	2016			2017		
	All	... To LMI	% LMI	All	... To LMI	% LMI
Largest						
M&T	89	19	21%	221	62	28%
Capital One	249	41	16%	387	42	11%
Chase	3767	387	10%	4119	419	10%
Santander	478	56	12%	575	35	6.1%
Smaller						
BankUnited	23	8	35%	10	5	50%
Sterling	550	47	8.5%	157	33	21%
Popular Comm.	5	1	20%	5	1	20%
Emigrant	27	3	11%	18	3	17%

Refinance Loans

	2016			2017		
	All	... To LMI	% LMI	All	... To LMI	% LMI
Largest						
Capital One	118	19	16%	104	15	14%
M&T	54	8	15%	67	8	12%
TD Bank	288	18	6.3%	153	18	12%
HSBC	189	37	20%	73	6	8.2%
Smaller						
Popular Comm.	5	3	60%	9	2	22%
NYCB	42	9	21%	27	4	15%
Sterling	257	22	8.6%	62	7	11%
BankUnited	9	3	33%	2	0	0%

Home Improvement Loans

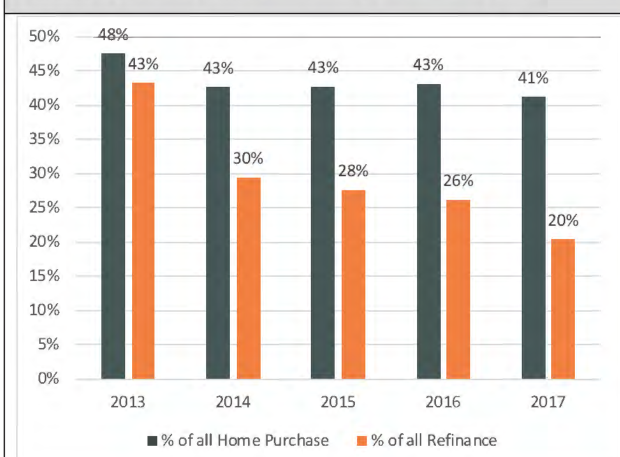
	2016			2017		
	All	... To LMI	% LMI	All	... To LMI	% LMI
TD Bank	230	51	22%	273	78	29%
Citibank	315	65	21%	318	72	23%
M&T	11	2	18%	24	5	21%
Capital One	119	27	23%	125	23	18%
Santander	17	4	24%	19	2	11%
Smaller						
Sterling	24	2	8.3%	3	1	33%
Popular Comm.	24	7	29%	26	5	19%
Emigrant	15	2	13%	18	2	11%
Valley National	11	2	18%	23	2	8.7%



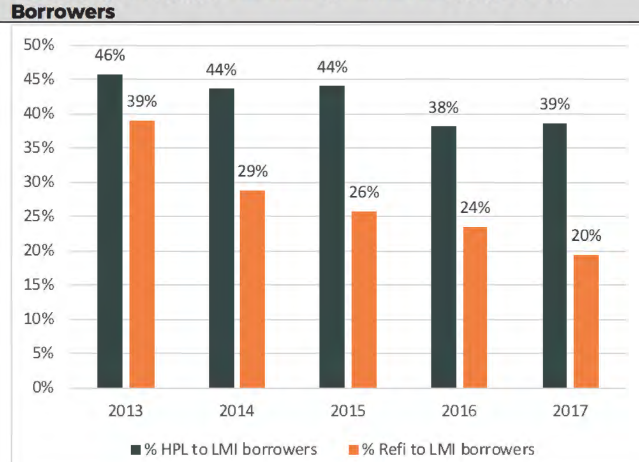
in the mortgage market, but their individual share has been declining steadily over the years overall and to LMI borrowers. Starting in 2013, Chase began making more loans to lower-income borrowers than Wells Fargo, and the two made almost the same volume of home purchase loans overall in 2017. Starting in 2015, Citibank, too, began making more loans to LMI borrowers than Wells Fargo, but their numbers have been declining as well in recent years. Whereas, Bank of America maintains a very small presence in the LMI lending space, making just 40 home purchase loans to LMI borrowers in 2017. Only Chase increased its volume of home purchase loans to LMI borrowers in 2017.

Big Four Banks Share of lending in New York City (Wells Fargo, Chase, Citibank, Bank of America)

Percentage of all Home Purchase & Refinance Loans



Percentage of Home Purchase & Refinance Loans to LMI Borrowers

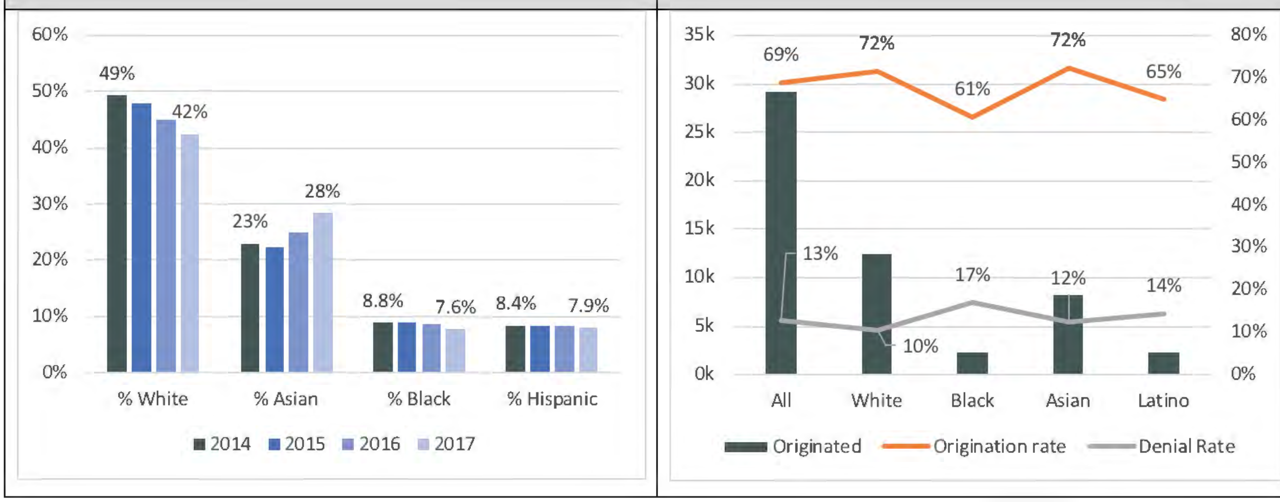


- **Racial disparities persist in home lending: 22% of New Yorkers are Black and 29% Latino, yet in 2017, only 7.6% of home purchase loans in New York City went to non-Hispanic Black borrowers and 7.9% went to Latino borrowers of any race. *This is the lowest percentage in years.***

Black and Hispanic homeowners are underrepresented in New York City, making up 45% of city households, but only 30% of homeowners.[42] Though some might assume that this disparity is the result of *past* discrimination, the disparity within present-day loans is yet worse: fewer than 8% of all loans in 2017 went to Black or Hispanic borrowers, and this rate is below any of the prior four years. The denial rates for Black and Hispanic applicants also continue to be higher than the rates for White and Asian applicants, while origination rates (the percentage of applications that resulted in a loan being made) are consistently lower.[43] In 2017, 72% of loans to White and Asian borrowers were originated versus 61% of loans to Black borrowers and 65% of loans to Hispanic borrowers. Similarly, just 10% of loans to White applicants and 12% to Asians were denied, versus 17% of loans to Black applicants and 14% to Hispanics[44]. These all changed very little from 2016.

RACE ANALYSIS 2016 HMDA HOME PURCHASE LOANS (ALL LENDERS)

% of all home purchase loans by race/ethnicity 2014-17 | **Home Purchase Origination/Denial Rates (2017)**



At each of the "Big Four" banks, fewer than 5% of their home purchase loans were to non-Hispanic Black borrowers, and at or below 7% were to Latino borrowers of any race in 2017. Just 2.8% of Chase's loans were to Black borrowers, down from 3.7% in 2015 and nearly 8% in 2012. Bank of America had the lowest percentage to Black or Latino borrowers at 2% and 3.3%, respectively. In general, the trends among the smaller banks are worse; however, we do note that Sterling, newer to our study, made 28 loans (7%) to Black borrowers and 21 (13%) to Latino borrowers. The others all made five or fewer loans to Black or Hispanic borrowers. Following the merger with Astoria Bank, Sterling discontinued all but their "CRA loans", which are loans to LMI borrowers and in LMI tracts. When they announced this plan, we had been concerned that their lending to borrowers of color could be impacted, because CRA loans have no obligation

42 https://s28299.pcdn.co/wp-content/uploads/2018/10/CNY002-AH-Summit-Report_v7_FINAL_online.pdf
43 Other applications may have been withdrawn by the applicant, or approved but not accepted by the borrower
44 The data for Asian borrowers is difficult to interpret as there are great variations and disparities within the "Asian" category. One of the changes to HMDA under Dodd Frank was to disaggregate the Asian, Pacific Islander race categories and Hispanic ethnicity category in order to establish a more nuanced understanding of mortgage lending and loan performance patterns across these communities: Hispanic or Latino subcategory (Mexican, Puerto Rican, Cuban, Other Hispanic or Latino), Asian subcategory (Asian Indian, Chinese, Filipino, Japanese, Korean, Vietnamese, Other Asian) or of a particular Native Hawaiian or Other Pacific Islander subcategory (Native Hawaiian, Guamanian or Chamorro, Samoan, Other Pacific Islander)

to serve borrowers of color. The percentage of their lending to Black and Latino borrowers increased, which is positive, but we also note a decline in volume to people of color, consistent with the overall decline. Looking at data from the two banks together, lending to Black borrowers went from 27 in 2015 to 33 in 2016 and down to 28 in 2017. The decline in loans to Latino borrowers was sharper, from 56 in 2015 to 45 in 2016 and down to 21 in 2017.

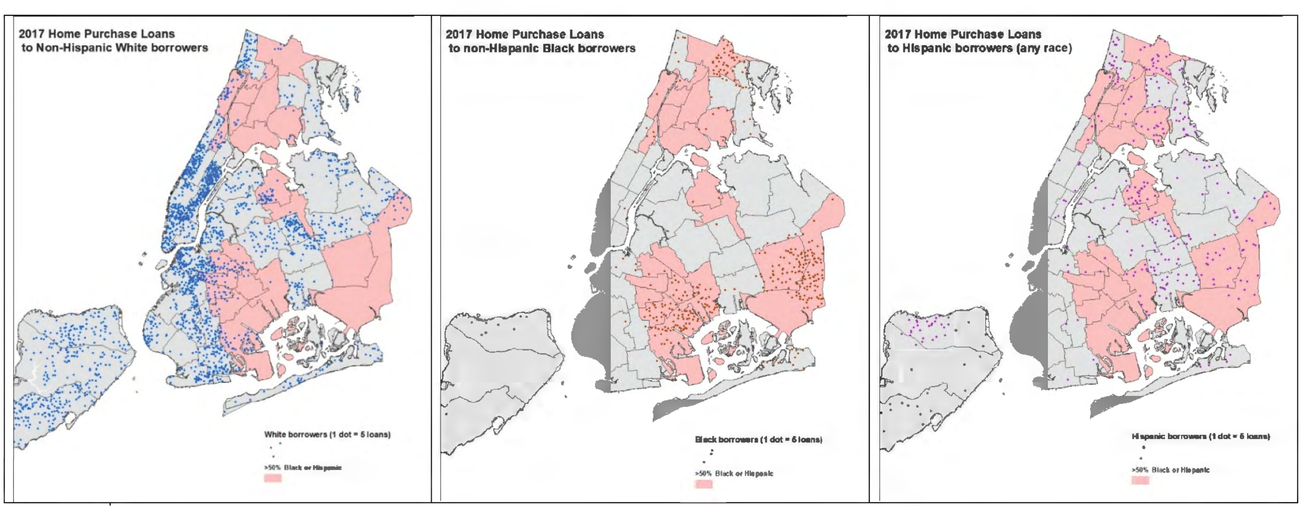
Once again, Capital One, TD Bank and M&T had the highest percentage to Black borrowers among the largest banks in 2017, but Citibank nudged out Capital One in the top three percentages of lending to Latino borrowers. Capital One and M&T Bank have historically led in lending to borrowers of color, but in 2016, Capital One's percentage to Black borrowers declined considerably (by half, from 14% to 7%) and then down again to 4.9% in 2017. Their percentage to Latino borrowers declined from 11% in 2016 to 5.2% in 2017, whereas Citibank's percentage to Latino borrowers increased from 6% to7.1%. Once again, Capital One's volume increased overall, but the number of loans to Black and Latino borrowers actually declined. More, Capital One is now not making 1-4 family loans at all, creating an opening for more non-bank lenders and further reducing the number of banks making loans to underserved populations.

Loans to people of color are concentrated in neighborhoods with majority people of color, with few new loans in gentrifying neighborhoods.

At M&T Bank the percentages were much higher, at 56% to Black borrowers (up from 39% in 2016) and 18% to Latino borrowers (up from 13%). M&T has been complying with a court order related to their acquisition of Hudson City that required the bank to improve its lending to minority borrowers and in minority neighborhoods. They also partnered with a new Nehemiah project that created affordable homeownership opportunities in Brooklyn; they made many of the end loans to new homeowners in these units.

Loans to people of color are concentrated in neighborhoods with majority people of color, with few new loans in gentrifying neighborhoods.

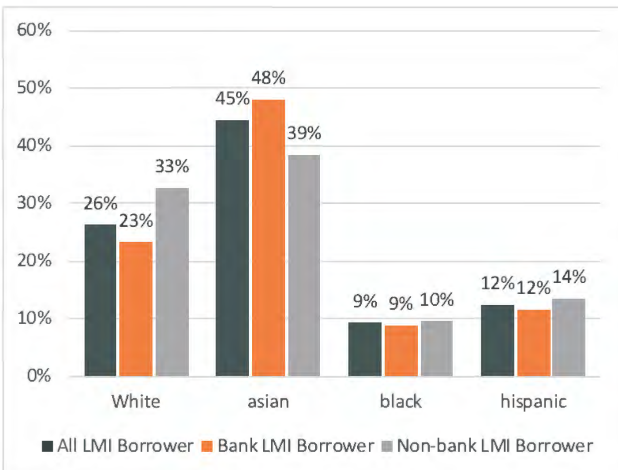
Of loans to Black borrowers, very few are in LMI tracts in gentrifying neighborhoods. Hispanic borrowers are more dispersed, but we still see concentrations outside of Core Manhattan and few in those same gentrifying neighborhoods, and the volume of lending to both Black and Hispanic populations is well below that of Whites. Black borrowers seem concentrated in just a few predominantly Black neighborhoods, but notably absent are new loans in predominantly black, but gentrifying neighborhoods such as Bedford Stuyvesant and Crown Heights.



This pattern is troubling in the context of the CRA, which was passed in response to the racist policy of redlining and other discriminatory practices. Generations of racist policies and bias contribute to the racial wealth gap that persists today, and play a major factor in the ability to purchase a home – lower earnings, less wealth, and lower credit scores, to name a few. Immigrants may face additional barriers, including language and cultural barriers and lack of a credit score. The median net worth of whites is nearly 10 times the size of and 8 times that of Hispanic households[45]. The Fiscal Policy Institute found that on average White families in New York State earned 77% more than Black families and 93% more than Hispanic families[46]. This is in addition to outright discrimination and also implicit bias in lending, such as the stories and data about potential borrowers of color in Philadelphia in the *Reveal* article and related study published in 2018[47].

"CRA LOANS" BY RACE 2017 (ALL LENDERS) LOANS TO LMI BORROWERS AND IN LMI TRACTS

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



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

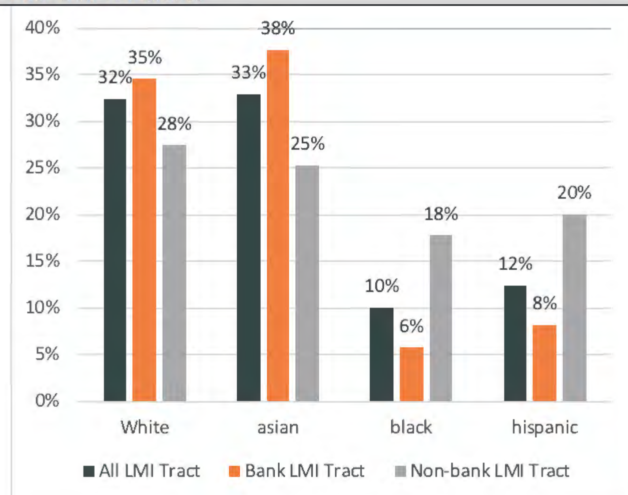


TABLE 20: RACIAL BREAKDOWN OF 1-4 FAMILY HOME PURCHASE LOANS* (2017)

	All	White		Asian		Black		Hispanic		Race NA		Ethn NA	
Largest													
M&T	221	22	10%	9	4.1%	124	56%	40	18%	26	12%	26	12%
TD Bank	293	141	48%	64	22%	22	7.5%	19	6.5%	43	15%	35	12%
Capital One	387	162	42%	70	18%	19	4.9%	20	5.2%	116	30%	104	27%
Citibank	2214	859	39%	658	30%	100	4.5%	157	7.1%	436	20%	432	20%
HSBC	281	54	19%	51	18%	11	3.9%	10	3.6%	154	55%	131	47%
Santander	575	408	71%	81	14%	16	2.8%	32	5.6%	25	4.3%	21	3.7%
Chase	4119	1605	39%	1646	40%	114	2.8%	235	5.7%	506	12%	517	13%
Wells Fargo	4192	2533	60%	849	20%	111	2.6%	271	6.5%	412	9.8%	395	9.4%
Bank of America	1514	704	46%	257	17%	31	2.0%	50	3.3%	467	31%	454	30%
Smaller													
BankUnited	10	3	30%	1	10%	3	30%	3	30%	0	0.0%	0	0.0%
Sterling	157	78	50%	18	11%	28	18%	21	13%	11	7.0%	11	7.0%
Ridgewood	93	61	66%	8	8.6%	5	5.4%	5	5.4%	11	12%	10	11%
Valley National	51	19	37%	18	35%	2	3.9%	2	3.9%	10	20%	8	16%
NYCB	25	15	60%	8	32%	0	0%	2	8.0%	0	0.0%	0	0.0%
Emigrant	18	13	72%	4	22%	0	0%	0	0.0%	1	5.6%	2	11%

*Banks making 10 or more loans in 2017

45 https://www.federalreserve.gov/econres/notes/feds-notes/recent-trends-in-wealth-holding-by-race-and-ethnicity-evidence-from-the-survey-of-consumer-finances-20170927.htm
46 http://fiscalpolicy.org/wp-content/uploads/2017/03/Racial-Dimension-of-Income-Inequality.pdf
47 https://www.revealnews.org/episodes/the-red-line-racial-disparities-in-lending/

However, despite this history, the law is still colorblind and has not had a meaningful impact on the populations harmed by such policies. Our analysis shows that borrowers of color are disproportionately underrepresented in CRA home purchase loans: loans to low- and moderate-income borrowers or loans in low- and moderate-income tracts. Just 9% of loans made by CRA-covered banks to low- and moderate-income borrowers were Black and 12% Hispanic. This is only slightly above the percentage of loans to Black and Latino borrowers citywide. In low- and moderate-income tracts, the percentage of loans by CRA-covered banks drops to 5.8% to Black borrowers and 8.3% to Hispanic borrowers. The percentage of loans made by non-banks to Black and Hispanic borrowers was slightly higher among low- and moderate-income borrowers (9.6% to Black borrowers and 14% to Hispanic borrowers) and much higher among loans in low- and moderate-income tracts (18% to Black borrowers and 20% to Hispanic borrowers).

- **When banks offer a variety of affordable products – and market those products – they can be effective in reaching Lower-income borrowers.**

INCREASE IN AFFORDABLE HOMEOWNERSHIP PRODUCTS

Banks have increased affordable homeownership products over the years, including through portfolio products, use of government programs, and varying levels of financial assistance.

- M&T developed the "Home of Your Own" loan with SONYMA, and offers a number of SONYMA products, as well as their own "Get Started Mortgage" product and a reduced interest rate for loans to purchase a Habitat for Humanity home. Their partnerships with local organizations like Habitat and Nehemiah housing has proven an effective strategy to reach lower-income borrowers and borrowers of color.

- Citibank has long been recognized in this space, with a well-respected portfolio product targeted to low- and moderate-income borrowers, with low down payments and financial assistance, and waived private mortgage insurance (PMI). Citibank now makes the second highest volume of loans to LMI borrowers, but we must note that it's still one of the lower percentages and the volume in 2017 is below any of the prior five years.

- Sterling Bank also now offers a CRA product that has down payment assistance, and waives PMI. Sterling Bank is only offering "CRA mortgages" now (to LMI borrowers and in LMI tracts). While better than a full retreat from the space, as noted above, they offer fewer options than Astoria had offered, which impacts their volume of lending and could impact lending to borrowers of color as well, if they don't affirmatively market their products and do the outreach necessary to reach these populations.

- Other banks offer CRA products, including, Bank of America, HSBC, Santander, TD Bank, and Valley National. These banks now have portfolio products with more favorable terms while not necessarily waiving PMI.

- Chase brought back its down payment assistance associated with its CRA product in 2016. We are pleased that they made one of the higher percentages of loans to LMI borrowers in 2017, and the highest volume of loans among lenders in this study. But their percentage to Black borrowers is among the lowest of all banks – below 3%.

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

PARTICIPATING IN EXISTING PROGRAMS

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

Many lenders in this study are **SONYMA-approved** lenders in New York City (BankUnited, Citibank, Emigrant, HSBC, M&T Bank, Sterling, and Wells Fargo), but not all are active.[48] For 2017, among the banks in this study, Citibank made the most with 53 loans, followed by M&T with 32 loans, HSBC with 14, and Sterling with 12. However, we must note that these are well below the volume from 2016. M&T Bank also makes SONYMA Down Payment Assistance Loans (DPALs), which are technically 0% interest loans, but when certain conditions are met, the loan is forgiven and treated like a grant. Bank of America and Chase no longer offer SONYMA loans. We also note that non-bank lenders, Freedom Mortgage and LoanDepot.com remain active participants, with 39 and 28 SONYMA loans, respectively. Freedom Mortgage's presence in the city has been growing considerably and is likely to grow more as banks like Sterling and New York Community Bank, and likely others, outsource their lending to this company. It is encouraging that as their presence is growing they participate in programs like this, but the company has raised some concerns in recent years. Massachusetts has a state CRA that includes non-bank lenders like Freedom. In 2015, they received a "needs to improve" CRA exam there. Overall, they were found to compare favorably to peers on a number of factors, but they were downgraded for violating consumer protection laws at the state and federal level[49]. They entered into a consent order in September 2016 with Massachusetts for these violations[50]. More recently, they were removed from Ginnie Mae's VA mortgage bond program due to discriminatory practices in their VA lending[51].

Another valuable program is the **First Home Club**, run by the Federal Home Loan Bank of New York, which offers matching grants up to $7,500 for qualified first-time homebuyers who successfully complete a homebuyer class and save money over time with a participating bank. Among the banks in this study HSBC, M&T Bank, Valley National, Sterling, Flushing and Popular Community participate.

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

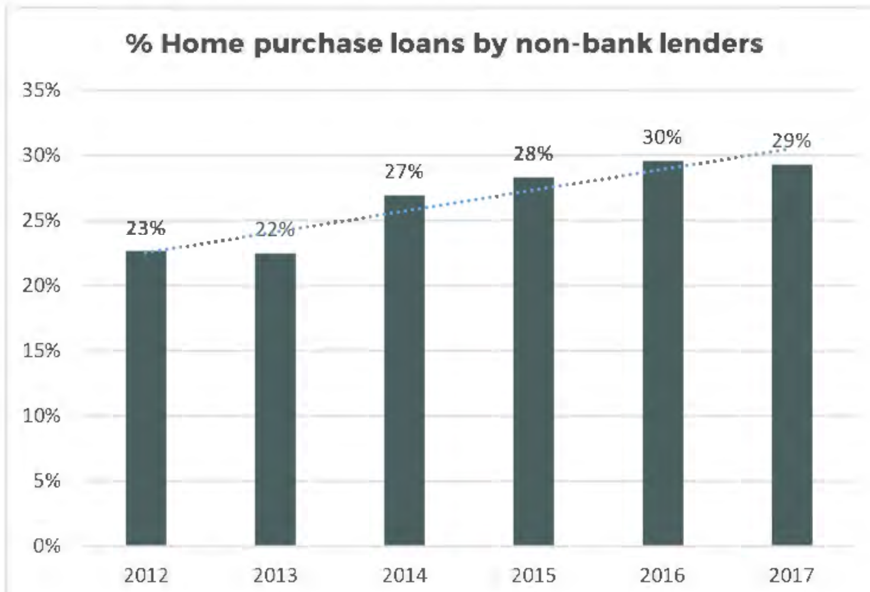
Home Improvement, or home repair, loan programs are newly emerging as an important product to help homeowners remain in their homes. Such loans allow lower-income homeowners

48 http://www.nyshcr.org/Topics/Home/Buyers/ParticipatingLenders/Region_10_Participating_Lender_List.pdf
49 https://www.mass.gov/files/documents/2016/10/ov/freedom.pdf
50 https://www.mass.gov/consent-order/freedom-mortgage-corporation#consent-order
51 https://www.housingwire.com/articles/43577-ginnie-mae-boots-3-va-lenders-from-mortgage-bond-programs

maintain their homes and preserve their value over the long term. For many years, only two banks – Astoria and Brooklyn Federal Credit Union – participated in HPD's Home Improvement Program. While the program is ending, HPD is introducing a new program soon and we hope more banks participate. Citibank, TD Bank, Wells Fargo, and Capital One have consistently offered the largest volume of home improvement loans consistently; however, at Wells Fargo, at or below 12% of loans were to LMI borrowers over the past three years, versus at or over 20% of loans at the other three banks. And Capital One will no longer be lending at all, leaving a hole in this market. We are pleased that Santander's new CRA plan includes a commitment to home improvement lending, but as of 2017, they made just 19 loans, with two to LMI borrowers.

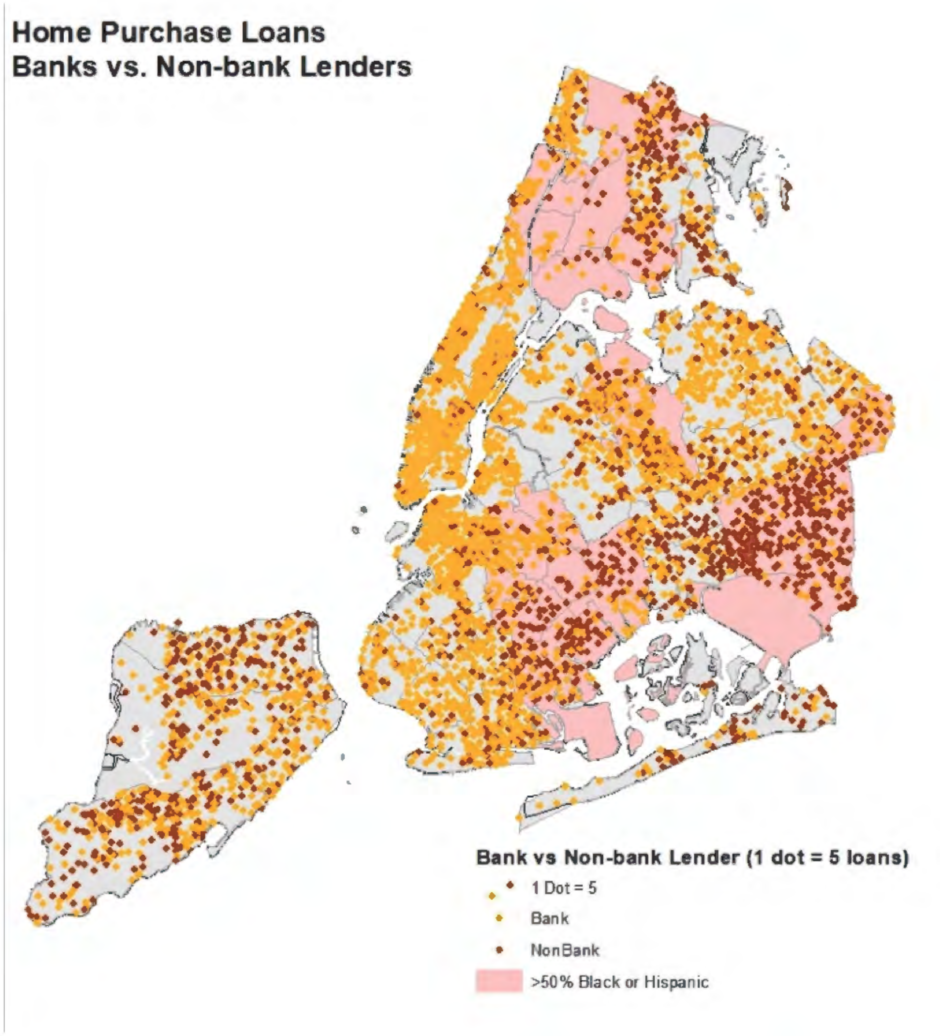
- **CRA-regulated banks are not meeting the credit needs of borrowers of color; nonbanks are filling in the gaps, mostly with FHA loans.**

Nonbank lenders are on the rise and are lending to borrowers and communities of color at higher rates than CRA-regulated banks. This raises questions about fair lending and underscores the need for new strategies to increase lending to underserved populations, including modernizing the CRA to include an affirmative obligation to serve borrowers of color. In 2017, for example, **just 3.8% of CRA-covered bank loans went to Black borrowers and 5.4% to Hispanic, versus 17% and 14%, respectfully, at non-banks.** Credit unions were in the middle, but their volume of lending is much lower. The percentage of loans to LMI borrowers is on par or higher at banks when compared to non-banks. Under the CRA, banks are obligated to lend to LMI borrowers, which may contribute to this trend, although we could even expect banks to do better and that underscores the need for more rigorous CRA exams. In 2017, banks made a higher percentage of their loans to LMI borrowers than non-banks did; 7.3% of all bank loans were to LMI borrowers versus 6.5% of non-bank lenders. In 2016, the percentages were almost the same among the two lender types: 8.3% at banks versus 8.5% at nonbanks.



The percentage of non-bank lenders making home purchase loans is rising steadily in New York City, but still below nationwide levels[52]. Nationwide, 56% of home purchase loans were made by non-bank lenders. The percentages in New York City were higher for refinance loans, matching national trends; now non-banks make up over 56% of all refinance loans, up from 42% in 2014. Prior studies of CRA lending showed better patterns of lending where banks had assessment areas than areas where they did not; New York City is a CRA assessment for many banks and could account for the higher rate of bank lenders.

52 https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/bcfp_hmda_2017-mortgage-market-activity-trends_report.pdf



However, the rise in nonbank lenders, particularly to borrowers of color, is concerning for a number of reasons. Non-banks are not nearly as regulated as banks are. First and foremost, they do not have the same safety and soundness requirements as banks have. And under the CRA, banks are additionally required to make all of their CRA loans – to LMI borrowers and in LMI tracts – in a safe and sound manner. Also, nonbanks do not have access to low-cost deposits like banks do and must rely upon other sources of capital, often short-term financing. Fluctuations in the cost of that capital leaves the system vulnerable if banks must act more aggressively to deliver higher rates of return for investors. If the CRA had an affirmative obligation to serve borrowers of color, banks would have an added incentive to be more proactive in lending to borrowers of color, and to provide financial assistance for closing costs and down payments.

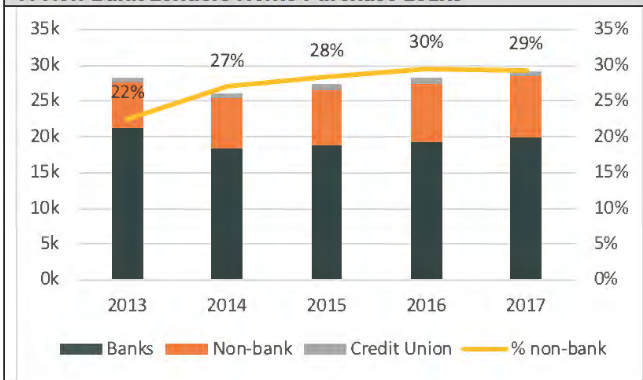
Just 3.8% of CRA-covered bank loans went to Black borrowers and 5.4% to Hispanic, versus 17% and 14%, respectfully, at non-banks.

Three of the top 10 home purchase lenders in 2017 are non-bank lenders as are five of the top 10 refinance lenders. Quicken once again made the most refinance loans in the City and Nationstar was third. Freedom Mortgage made the top 10 of both home purchase and refinance loans.

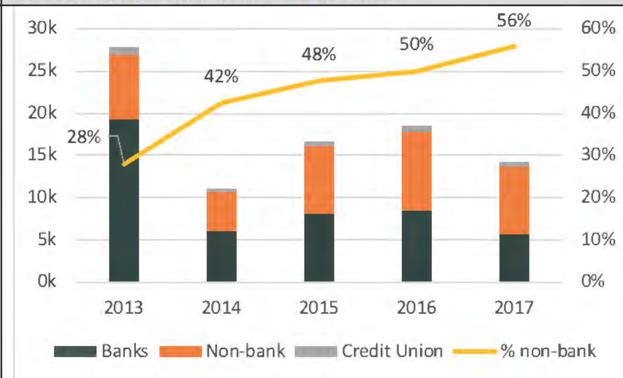
Not surprisingly, the distribution of loans made by non-bank lenders largely matches lending to borrowers of color, particularly Black neighborhoods in southeast Queens and parts of Brooklyn.

PERCENTAGE OF LOANS IN NEW YORK CITY BY NON-BANK LENDERS

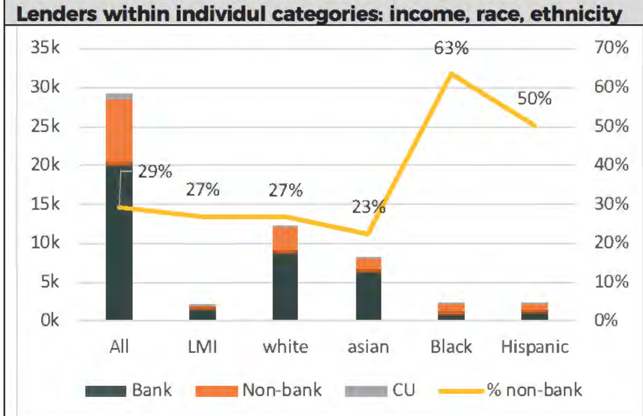
% Non-Bank Lenders Home Purchase Loans



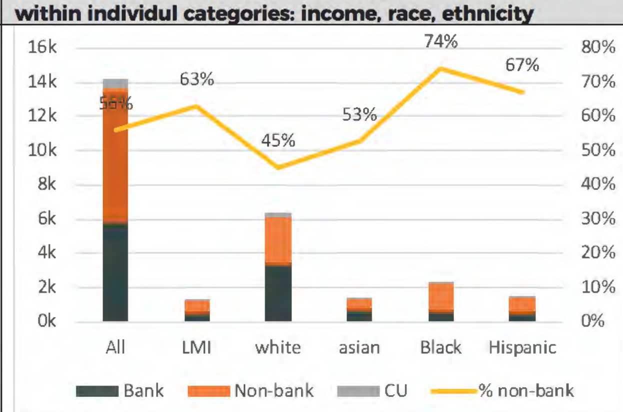
% Non-Bank Lenders Refinance Loans



2017 Home Purchase Loans: % of Loans by Non-Bank Lenders within individul categories: income, race, ethnicity

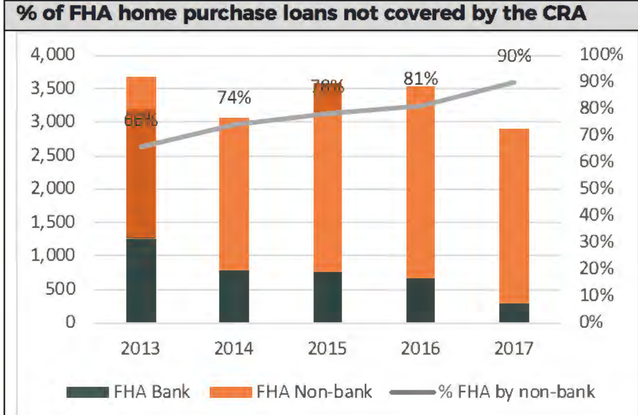


2017 Refinance Loans: % of Loans by Non-Bank Lenders within individul categories: income, race, ethnicity

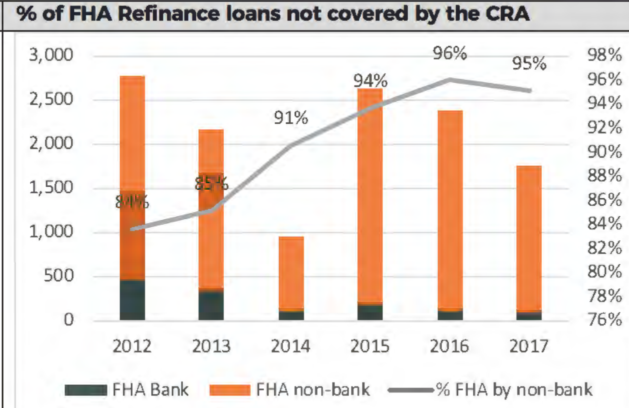


% of Loans by Non-Bank Lenders: FHA Loans

% of FHA home purchase loans not covered by the CRA



% of FHA Refinance loans not covered by the CRA



NONBANK LENDERS DOMINATE LENDING TO BORROWERS OF COLOR

In addition to the persistently low volume and percentages of loans to Black and Hispanic borrowers overall, nonbank lenders dominate in lending to borrowers of color. Independent nonbank mortgage companies made up 63% of home purchase loans and 74% of refinance loans to Black borrowers in New York City in 2017. The percentages were 50% and 67%, respectively, to Hispanic borrowers.

Much of this has to do with the high prevalence of FHA loans to borrowers of color, and the fact that banks now make so few FHA loans; 90% or more of home purchase and refinance loans were made by nonbank lenders in 2017. Meanwhile, more banks are pulling out of 1-4 family lending, either partly or entirely, as has happened with Capital One, BankUnited, NY Community Bank, and Sterling in recent years. FHA loans are typically more expensive than conventional loans, and banks are not replacing the loss of FHA loans with affordable products that would help borrowers of color buy new homes or stay in their homes. Given the concentration of loans by nonbank lenders both to borrowers of color and in communities of color, we also worry that lenders might be steering borrowers of color into FHA loans when they could qualify for a more affordable conventional loan. This makes us question whether banks are affirmatively marketing products they have to underserved populations. Steering has happened in the past and should be studied more today.

Non-banks are not nearly as regulated as banks are. They do not have the same safety and soundness requirements as banks have for lending overall, nor are they covered by the CRA. Also, nonbanks do not have access to low-cost deposits like banks do and must rely upon other sources of capital, often short-term financing. Fluctuations in the cost of that capital leaves the system vulnerable if banks must act more aggressively to deliver higher rates of return for investors.

This trend highlights why the CRA needs to be updated. Nonbanks should be covered by the CRA and the CRA should never have been color-blind. Banks offer loan products with low down payment requirements, financial assistance, and connection to pre-purchase counseling because of the affirmative obligation under the CRA to lend to lower-income people and in lower-income neighborhoods. Those products should be affirmatively marketed to reach qualified borrowers of color. Also, if the same CRA obligation existed for borrowers of color, there would be even more affordable, sustainable options for these persistently underserved communities.

RECOMMENDATIONS

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

BANKS SHOULD

- **Meet the credit needs of all New Yorkers.**

  CRA-covered lenders have an obligation to equitably meet the credit needs of all New Yorkers. To achieve this, banks should:

  - Increase access to homeownership and equity by originating home purchase, refinance, and home repair loans to lower-income people, immigrants, and people of color.
  - Offer a wide range of products, including government-backed loans such as State of New York Mortgage Agency (SONYMA), Fannie Mae and Freddie Mac programs, and portfolio products.
  - Make loans equitably to low- and moderate-income borrowers and borrowers of color, striving to match the demographic percentages by race and ethnicity and increasing lending to low- to moderate-income borrowers. It is clear that there is a market for loans, and banks should be meeting much of that need. In their absence, non-CRA covered lenders are filling the void.

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

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

  - **Partnerships with nonprofit community-based organizations** that provide U.S. Department of Housing and Urban Development (HUD)-certified pre-purchase counseling and additional supports for current and potential homeowners.
  - **Dedicated loan officers, underwriters, and loan processors** who are accessible and fully knowledgeable about their products, and able to make approval decisions in a timely manner. Affirmatively market the affordable products through a variety of channels, including nonprofit partners, traditional and ethnic press and mailings, and social media.
  - **Reasonable down payment requirements with financial assistance.** In a high-cost city like New York City, homeownership is increasingly difficult for low- to moderate-income borrowers. Banks can address this by allowing for lower down payments, providing financial assistance directly and through government programs, waiving private mortgage insurance (PMI), and offering products for the more affordable homeownership options such as regular and limited equity co-ops.
  - **Reasonable credit scores and income requirements** that are achievable and related to the ability to repay the loan. Banks should also consider alternative forms of credit, particularly for immigrants and others without a formal credit history.

- **Homebuyer counseling.** Any first-time homebuyer assistance should require pre-purchase counseling and connect potential homebuyers to a qualified provider.

- **Prevent foreclosures and responsibly help homeowners who are in foreclosure**: Grant more trial and permanent modifications, maintain good condition homes taken by foreclosure, and reduce the delays for homeowners due to lost paperwork, staff changes, and untimely responses. Provide grants to HUD-certified housing counseling agencies that provide foreclosure counseling.

REGULATORS AND LEGISLATORS SHOULD

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

  Increasingly, we are seeing a rise in non-bank mortgage lenders as well as online lending by banks and non-banks. While we note fewer affiliate lenders at the largest banks, they continue to exist in this space. Nonbank lenders are particularly prevalent in making FHA loans to borrowers of color. While FHA loans are not predatory, they are higher cost than conventional loans and there is a concern that people who qualify for conventional loans may be steered into FHA loans. Leading up to the crisis, there was evidence that the percentage of high-cost loans were highest among non-bank lenders, followed by bank lenders outside of their assessment areas. The lowest percentages of high cost loans were among CRA-covered lenders within their assessment areas.[53] We need to modernize the CRA to better reflect how loans are made.

  - <u>Expand the CRA to include non-bank lenders</u> and require all affiliate lenders be reported on bank CRA exams.
  - <u>Expand assessment areas based on where banks lend, in addition to where they have branches</u>. This is especially important for online lenders and banks that comprise a significant percentage of loans within a geographic region.
  - <u>Evaluate, benchmark, and rate banks based on their record of lending to borrowers of color</u> who have and continue to suffer the consequences of discrimination and redlining. The CRA should not be color-blind.

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

COMMUNITY DEVELOPMENT LOANS & INVESTMENTS

BACKGROUND

Community development loans and investments provide vital financing to build and preserve affordable housing, create jobs and economic opportunities, and revitalize city neighborhoods. New York City is on the forefront of affordable housing creation and preservation, with innovative programs and initiatives rarely seen elsewhere. This investment would not be possible without the CRA, and is more important than ever in light of ever-increasing risks of displacement due to speculation, declining federal dollars, and a decrease in the value of Low-Income Housing Tax Credits (LIHTC).

"Community development" as defined by the CRA encompasses a wide, but well-defined range of activities targeting low-and moderate-income people and communities, increasing their access to affordable housing, providing community services, promoting economic development, revitalizing or stabilizing communities, and supporting certain foreclosure prevention activities.

CRA Exams include both an investment and lending test. The investment test analyzes a bank's **CRA-qualified investments**: lawful investments, deposits, or membership shares that have community development as their primary purpose. For example, banks may purchase mortgage government bonds or invest in LIHTC or New Markets Tax Credits (NMTC) projects that fund affordable housing construction or rehabilitation, and other larger scale developments. Investments also include community development grants, but given their small size relative to other investments and their importance to nonprofits, we examine those separately in our philanthropy section.

Community development lending is evaluated under the CRA lending test, which also evaluates what we refer to as **core lending –** 1-4 family home and multifamily building mortgages and small business loans. For these loans, regulators evaluate the volume and distribution of loans, analyzing both geographic characteristics (low- and moderate-income census tracts) and borrower characteristics (low- and moderate-income borrowers, small business loan sizes, and loans to small businesses with revenues under $1 million).

The exam's evaluation of a bank's **community development loans** evaluates the loans that are responsive to the needs of lower-income people and communities to improve conditions – for example, activities that increase access to jobs, community services, affordable housing, and more stable neighborhoods. We would expect some of the community development lending to align with a bank's business model. For example, a bank that finances the construction or renovation of multifamily housing is likely to finance the construction or rehabilitation of affordable housing, more so than a bank that does not engage in that line of business. But, the CRA allows plenty of room for banks to finance a wider range of activities, and banks often do so, especially those that have a dedicated community development team, which allows the bank to develop expertise in financing deep, affordable housing, often in partnership with government agencies and using government programs and subsidies.

Community development loans are wide and varied, and could include pre-development, acquisition, or construction loans to build and preserve affordable housing; lines of credit to support community development organizations; or larger loans to small businesses for the purpose of creating, retaining, or improving jobs. Banks cannot "double-count" 1-4 family mortgages or small business loans as community development loans, as they are evaluated separately. The one exception, however, is multifamily loans. Banks can also receive community development credit on CRA exams for multifamily mortgages, where rents are affordable to lower-income tenants, or where the building is otherwise determined to have a community development purpose. For the purposes of this report though, we do not include them here, but rather analyze them separately in the multifamily section.

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

PRINCIPLES

- **All banks should maintain or increase their level of community development loans and investments annually.** Banks are an integral part of the system to support community development in all its forms, and community development loans and investments are a key component of that obligation.

- **Quality must be taken as seriously as quantity.** One factor that can get lost in the overall dollar amounts of community development lending is the *impact* of the lending. Perhaps even more important than the volume of dollars reinvested, community development activities must support low- and moderate-income people and communities to increase access to quality jobs, community services, affordable housing, and more stable neighborhoods in a meaningful way. Some of these may be smaller loans, but they have a large impact.

  The CRA should ensure credit and capital are flowing to under-served neighborhoods in a way that supports diverse and thriving neighborhoods and doesn't fuel displacement. Banks and regulators must look at the overall impact of loans and investments submitted for CRA credit and ask critical questions that promote this spirit. For example: do the jobs created in that area pay well or provide a path to better employment? Does the business hire local residents? Will the business truly stabilize the neighborhood, or will it lead to the displacement of surrounding long-standing businesses? Is the housing affordable in good condition? Was the loan underwritten to preserve affordable housing or will it lead to displacement of long-time tenants?

- **Banks should prioritize nonprofit developers to support quality community development.** Nonprofit community development corporations (CDCs) and developers are locally rooted and mission-driven to serve the low-income, immigrant, and high-needs populations in their communities, with many having done so successfully over decades. They build and preserve permanent, deeply affordable housing; assist tenants in those units and throughout their neighborhoods; create space for local businesses that provide quality jobs; provide direct assistance to the businesses to grow and thrive; create new economic opportunities for people in the neighborhoods to find quality jobs; and provide a myriad of other services for the local communities.

  ANHD has been successfully advocating for New York City to invest in permanent affordable housing[54], and to prioritize nonprofit developers in some programs, opening more opportunities

54 For instance, see Sosa, Stephanie, "HPD Takes Important Step Forward for 'Permanent Affordability,'" THE ASS'N FOR NEIGHBORHOOD & HOUSING DEV. (Nov. 1, 2017), https://anhd.org/blog/hpd-takes-important-step-forward-permanent-affordability.

for banks to invest in them on housing development and preservation. We also believe that banks must take an intentional approach to partnering with and investing in nonprofits, including CDCs, to ensure that they have access to affordable debt (loans) and equity to further their missions. This includes supporting the smaller and most effective nonprofit developers with targeted affordable products to build and preserve affordable housing and create quality jobs.

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

  It has been ANHD's experience that the banks with the most effective reinvestment programs reflect a broad institutional commitment to bank reinvestment. Such commitment is demonstrated first with strong leadership that is knowledgeable about, engaged in, and committed to a bank's CRA programs. This leadership must then be supported by adequate staffing levels, with appropriate expertise dedicated to each of its local markets. Ideally, some of this staff and leadership will have come from the nonprofit sector. Similarly, we have found that the number of staff physically located in New York City is critical to the bank's ability to meet the City's needs. Indeed, the alphabet soup of funding and regulatory programs have created the most productive affordable housing and community development sector anywhere in the country, but also with a complexity and uniqueness that is particular to our city. Quality local staff can thoughtfully engage in what exists and be part of the process to develop new products and tools that meet the unique needs of the City and local neighborhoods. The size and scale of New York City also means that a bank has to understand that the community context of neighborhoods varies greatly from one neighborhood to another.

TRENDS & FINDINGS

- **Community development lending and CRA-qualified investments decreased in 2017.**

TABLE 21: COMMUNITY DEVELOPMENT LOANS AND INVESTMENTS 2014-2017						
($ millions)	**2014**	**2015**	**2016**	**2017**	**2014-17**	**2016-17**
Community Development Lending						
# Loans	370	410	504	383	3.5%	-24%
$ Loans	$3.16	$3.67	$4.84	$3.08	-2.4%	-36%
% to Deposits (Average)	1.2%	1.5%	1.5%	1.0%	-14%	-33%
CRA-Eligible Investments						
# Investments	171	224	274	186	9%	-32%
$ Investments	$2.37	$1.82	$2.20	$2.10	-11%	-4.9%
% to Deposits (Average)	0.48%	0.46%	0.37%	0.39%	-18%	4.4%
CD Loans + Investments						
# Loans + Investments	541	634	778	569	5%	-27%
$ Loans + Investments	$5.52	$5.50	$7.05	$5.18	-6%	-27%

While we do understand that loans and investments may fluctuate year by year at individual banks, the trend should be an increase in activity. The sharp decline in 2017 is concerning, both in volume and dollars. Community development lending and investment together decreased 27%, from $7.05 billion in 2016, to $5.18 billion in 2017. Community Development Loans declined 24% by volume and 36% by dollar amount: 383 loans for $3.1 billion, down from 504 loans for $4.84 billion. CRA qualified investments declined 32% by volume and 4.9% by volume: 186 investments for $2.1 billion, down from 274 investments for $2.2 billion.

Community development lending dropped sharply at a number of banks as well. Citibank's volume dropped by over 60%, as it did at Sterling, NYCB, and Valley National. Capital One's lending declined as well by nearly half. Chase's dollars loaned decreased, but the number of loans increased slightly, which may actually be more impactful if the smaller loans were needed most. Similarly, at Deutsche Bank, where the volume increased by 50%, but the dollars loaned declined by a third. Goldman Sachs and Morgan Stanley also decreased community development lending in 2017. Meanwhile, we are pleased to see that TD Bank, Bank of America, Ridgewood, Bank of NY Mellon, and BankUnited increased their lending. TD Bank's lending is below 2015, but each of the past three years is well above their 2014 levels.

Signature Bank dedicated the most amount of money to community development loans, followed by Bank of America and TD Bank. M&T, Valley National, Signature and Sterling dedicated the highest percentage of local deposits towards community development lending.

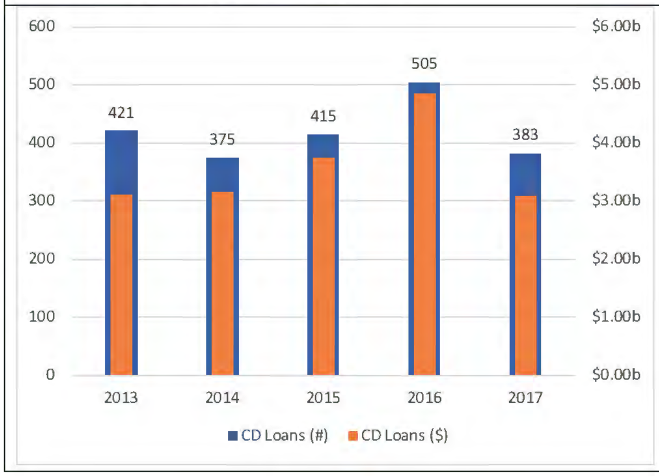
Nearly all banks decreased their CRA-qualified investments in 2017. Capital One, Chase, Citibank, and New York Community Bank decreased both the number and dollar of investments. Santander, BankUnited, and Goldman Sachs decreased the volume, but increased dollars invested, while TD Bank and Morgan Stanley did the opposite. The volume declined 80% at Bank of America, but the dollars were down by just 9%.

Among the retail banks, Chase, Citibank and Bank of America dedicated the most dollars in CRA-qualified investments. M&T's increased the most as they entered into the LIHTC market, whereas most banks decreased their LIHTC investments.

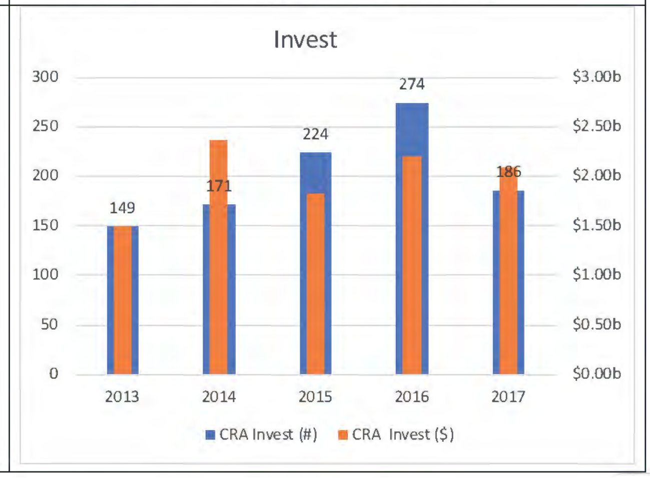
TABLE 22: HIGHEST PERCENTAGES OF LOANS/ INVESTMENTS TO DEPOSITS, 2017														
Highest Percentages of community development Lending to deposits								**Highest Percentages of CRA-qualified investments to deposits**						
	Dep	**CD #**	**CD $**	**% Dep**	**% chg 2016-17**	**% chg 2016-17**			**Dep**	**CRA-Invest (#)**	**CRA-Invest ($)**	**% Dep**	**% chg 2016-17**	**% chg 2016-17**
Largest								**Largest**						
M&T	$3.71	22	$243	6.5%	0%	-4.7%		M&T	$3.7	6	$41	1.10%	100%	13448%
TD Bank	$20	56	$279	1.4%	14%	4.8%		Santander	$10	5	$76	0.76%	-55%	28%
Capital One	$26	38	$237	0.9%	-39%	-43%		Bank of America	$65	16	$351	0.54%	-80%	-8.7%
Bank of America	$65	29	$432	0.7%	26%	212%		TD Bank	$20	48	$63	0.31%	1100%	-11%
Citibank	$92	16	$241	0.3%	-63%	-78%		Citibank	$92	29	$280	0.31%	-19%	-14%
Santander	$10	3	$12	0.1%	-40%	-41%		Capital One	$26	6	$59	0.23%	-45%	-40%
Chase	$530	35	$195	0.0%	9.4%	-46%		Chase	$530	10	$306	0.06%	-71%	-44%
Smaller								**Smaller**						
Valley National	$2.38	13	$58	2.45%	-62%	-66%		BankUnited	$4.3	2	$40	0.92%	-75%	41%
Signature	$26.19	90	$548	2.09%	-10%	-3%		Sterling	$5.8	12	$47	0.80%	20%	14%
Sterling	$5.82	8	$108	1.85%	-78%	-38%		Flushing	$1.7	1	$7.99	0.47%	-50%	27%
NYCB	$10.42	18	$153	1.46%	-63%	-43%		Signature	$26	24	$103	0.39%	-47%	25%
Flushing	$1.69	3	$8.48	0.50%	*from 0*	*from 0*		Ridgewood	$2.9	3	$7.76	0.27%	-63%	-66%
Ridgewood	$2.87	5	$2.90	0.10%	25%	12%		Dime	$3.5	2	$8.30	0.23%	100%	177%
BankUnited	$4.30	3	$3.06	0.07%	50%	22%		Valley National	$2.4	2	$2.89	0.12%	*from 0*	*from 0*
Apple	$7.47	0	$0.00	0.00%	-100%	-100%		NYCB	$10	0	$0.00	0.0%	-100%	-100%
Dime	$3.54	0	$0.00	0.00%	0%	0%								
Wholesale								**Wholesale**						
Deutsche Bank	$33	36	$101	0.3%	50%	-33%		BNY Mellon	$126		$300	0.24%		99%
Morgan Stanley	$50	5	$141	0.3%	-55%	-40%		Deutsche Bank	$33	4	$92	0.28%	100%	266%
BNY Mellon	$126		$243	0.2%		5.9%		Goldman Sachs	$92	5	$274	0.30%	-55%	17%
Goldman Sachs	$92	3	$79	0.1%	-67%	-85%		Morgan Stanley	$50	11	$38	0.08%	83%	-64%

One particularly significant decline came in LIHTC investments. LIHTC is one of the most important sources of financing for affordable housing development and preservation. The tax credits purchased by banks are converted into equity – actual dollars – to build and preserve affordable housing for families earning up to 60% of AMI, and often much lower than that. Historically, a high demand for LIHTC credits has driven up their value in New York City, creating an invaluable resource to

CD lending for banks reporting in all 4 years 2014-17 (18 reported # loans, 19 reporting $ loaned)

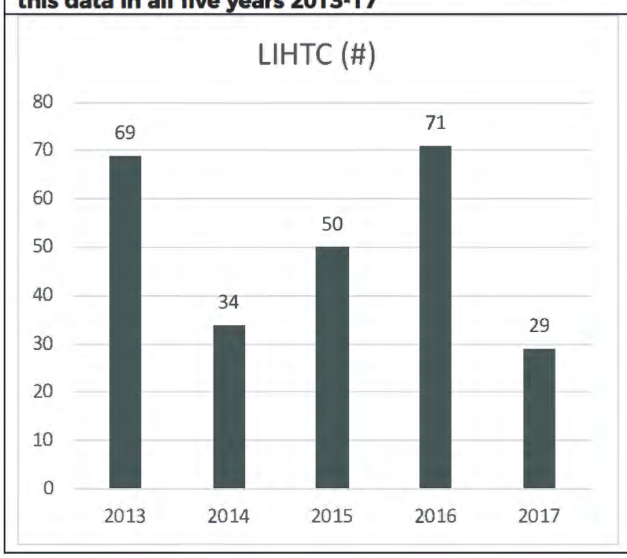


CRA Investments for banks reporting in all 4 years 2014-17 (17 reported # investments, 18 reporting $ invested)

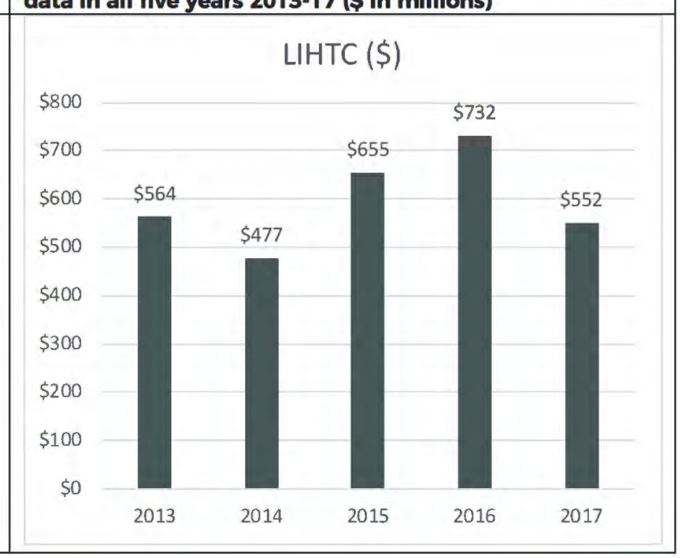


housing developers in such an expensive market. NYC's Housing Preservation and Development Department estimates that every public dollar spent on affordable housing generates roughly $4 of private investment, much of that in LIHTC investments[55]. Yet, the uncertainty leading up to the passage of the Tax Cuts and Jobs Act of 2017, and its ultimate passage that lowered the corporate tax rate, reduced the incentive for corporations to participate in the program. An industry study estimated that a decrease in the corporate tax rate from 35% to 25% would result in an 11% reduction in value of the LIHTC, and a decrease to 20% would cause a 14% reduction in value of the LIHTC[56]. The final bill passed in November 2017 decreased the rate to 21%[57]. The uncertainty leading up to the bill's passage appears to have led to a significant drop in this major source of funding for affordable housing because corporations, many of which are banks, are major purchasers of these credits. We fear the decline will continue when we see the 2018 and 2019 numbers moving forward, and in any case, the value of those dollars will decline.

Number of LIHTC investments for 14 banks reporting this data in all five years 2013-17



Dollars of LIHTC investments for 14 banks reporting this data in all five years 2013-17 ($ in millions)



55 https://www1.nyc.gov/assets/hpd/downloads/pdf/nyc-comments-to-occ-on-cra.pdf
56 https://www.novoco.com/notes-from-novogradac/observational-study-corroborates-lower-lihtc-unit-production-due-lower-corporate-tax-rate
57 https://www.irs.gov/newsroom/after-tax-reform-many-corporations-will-pay-blended-tax-rate

There was significant decline in LIHTC investments from 2016 to 2017 among the banks in this study. Among 14 banks for which we have data in the past five years, LIHTC dipped in 2014, and had been increasing for 3 years and then declined rather sharply in 2017. The number of investments dropped to 41, from 91 in 2016 and 54 in 2015. The amount invested declined as well to $743 million, from $1095 million in 2016 and $719 million in 2015.

TABLE 23: LARGEST DECREASES IN LIHTC 2016-17, 2014-17												
	2014		2015		2016		2017		2016-17		2014-17	
Bank	LIHTC (#)	LIHTC ($)	LIHTC (#)	LIHTC ($)	LIHTC (#)	LIHTC ($)	LIHTC (#)	LIHTC ($)	LIHTC (#)	LIHTC ($)	LIHTC (#)	LIHTC ($)
Largest												
Chase	15	$173	8	$81	27	$175	2	$36	-93%	-79%	-87%	-79%
Capital One	3	$65	13	$180	8	$86	2	$59	-75%	-32%	-33%	-9%
Citibank	2	$44	9	$111	22	$166	11	$116	-50%	-30%	450%	162%
TD Bank	1	$19	6	$75	4	$70	2	$35	-50%	-50%	100%	82%
Santander	0	$0	2	$38	8	$47	5	$76	-38%	60%	*from 0*	*from 0*
Bank of America	8	$112	7	$130	4	$106	9	$245	125%	131%	13%	118%
M&T	0	$0.00	0	$0.00	0	$0.00	2	$40	*from 0*	*from 0*	*from 0*	*from 0*
Smaller												
NYCB	1	$17	0	$0.00	1	$10	0	$0.00	-100%	-100%	-100%	-100%
Ridgewood	1	$3.00	1	$3.00	1	$3.00	0	$0.00	-100%	-100%	-100%	-100%
Valley National	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0.0%	0.0%	0.0%	0.0%
Signature	2	$18	1	$12.28	3	$74	4	$95	33%	27%	100%	417%
Sterling	1	$15	0	$0.00	2	$17	3	$40	50%	131%	200%	169%
BankUnited	0	$0.00	0	$0.00	0	$0.00	0	$0.00				
Wholesale												
Goldman Sachs	0	$0.00	1	$13	6	$214	0	$0.00	-100%	-100%	0.0%	0.0%
Morgan Stanley	2	$16	3	$31	4	$100	0	$0.00	-100%	-100%	-100%	-100%
Deutsche Bank	2	$45	3	$44	1	$25	1	$1.00	0.0%	-96%	-50%	-98%

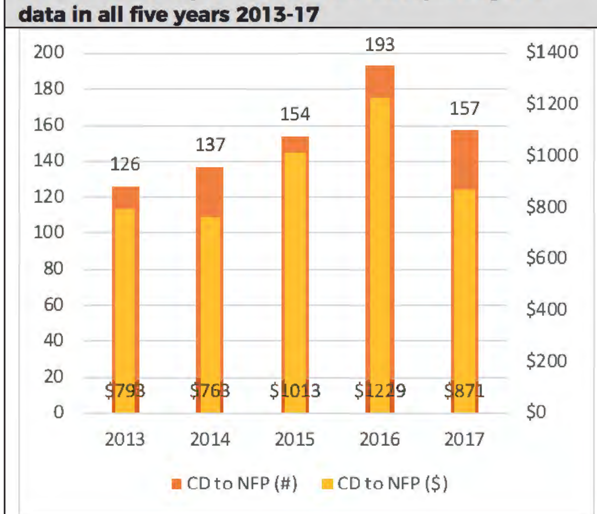
- **Community development lending and investments to nonprofits overall declined in 2017, but loans to community development corporations (CDCs) increased slightly.**

Community development lending to nonprofits declined 15% by number of loans and 28% by dollar amount in 2017. Due to the decline overall, we still had nine banks make over half of their community development loans to nonprofits by volume and six by dollar amount. The number of **investments in nonprofits declined by nearly 50%, and the dollar amount was down by 75%.** Capital One, Chase and TD Bank all increased the number of loans to nonprofits in 2017; Capital One's increased while their overall lending decreased. The dollars to nonprofits at Capital One and Chase declined, but that could still be meaningful loans at lower amounts. Ridgewood and Signature each increased lending to nonprofits greatly, whereas Valley national's declined sharply after two years of increased lending. Among wholesale banks, over half of Deutsche Bank's loans were to nonprofits and all of Morgan Stanley's were in 2017, but none of Goldman Sachs's were.

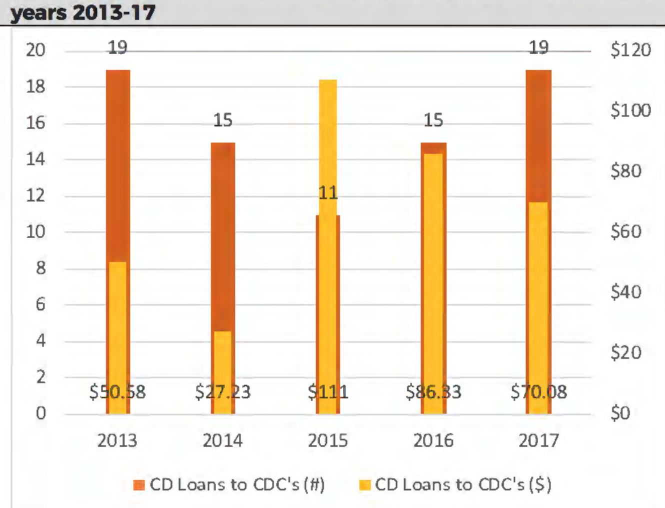
As in prior years, **very few loans went specifically to CDCs, but we are encouraged to see the increase in 2017, especially given the decline in all other areas of lending. Among the banks reporting in all four years, 19 loans were to CDCs in 2017, 15 in 2016, and 11 in 2015, down from 15 in 2014 and 19 in 2013.** While in 2015 only three banks made loans to CDCs, five did in 2016 and six in 2017: Capital One, M&T, Signature, Sterling, BankUnited, and Deutsche Bank. Chase does not report loans to CDCs, but we do recognize that they make loans to local CDCs as well. Citibank has been making more loans to nonprofits and CDCs in recent years, but none of their 11 loans to nonprofits in 2017 were to CDCs.

Table 24: Community Development Lending/Investments to Nonprofits and CDCs	2015	2016	Cnt	% chg	2016	2017	Cnt	% chg
CD Lending to Nonprofits overall								
to NFP (#)	163	170	17	4.3%	195	166	13	-15%
to NFP ($)	$1042	$1184	18	14%	$1233	$890	14	-28%
Avg. to NFP (#)	47%	47%	17	0.5%	48%	46%	13	-4.0%
Avg. to NFP ($)	39%	37%	18	-4.4%	36%	35%	14	-3.9%
Median to NFP (#)	39%	47%	17	21%	55%	49%	13	-9.7%
Median to NFP ($)	31%	37%	18	20%	23%	18%	14	-23%
CD Lending to nonprofit CDCs								
to CDCs (#)	11	17	15	55%	15	19	13	27%
to CDCs ($)	$111	$104	16	-5.2%	$86	$70	14	-19%
Avg to CDCs (#)	8.5%	6.1%	15	-29%	6.3%	8.0%	13	26%
Avg to CDCs ($)	7.6%	3.8%	16	-50%	3.4%	4.0%	14	18%
Median to CDCs (#)	0.0%	0.0%	15	0%	0.0%	0.0%	13	0%
Median to CDCs ($)	0.0%	0.0%	16	0%	0.0%	0.0%	14	0%
CRA Investments to Nonprofits								
to NFP (#)	49	40	18	-18%	41	21	17	-49%
to NFP ($)	$454	$477	18	5.0%	$514	$127	17	-75%
Avg. to NFP (#)	25%	24%	18	-3.8%	32%	15%	17	-53%
Avg. to NFP ($)	21%	25%	18	18%	32%	13%	17	-58%
Median to NFP (#)	7.7%	8.8%	18	14%	18%	0%	17	-100%
Median to NFP ($)	2.0%	18%	18	815%	24%	0%	17	-100%

CD Loans to nonprofits for 14 banks reporting this data in all five years 2013-17



CD lending to CDCs for 14 banks reporting this data in all five years 2013-17



- **Banks with an intentional CRA strategy and local staff are making quality community development investments, more so than banks that do not**

Many of the larger banks, including Citibank, Capital One, Chase, Deutsche Bank, Goldman Sachs, and Morgan Stanley have long had strong CRA teams. This allows them to take a more intentional approach to community development, going beyond simply looking at core business loans that also count for community development credit. Banks like Capital One, Morgan Stanley, and Deutsche Bank also place a strong emphasis on partnering with nonprofit developers and are recognized for this commitment.

In recent years, Santander has been implementing its new 5-year, $11 billion commitment to CRA throughout its footprint, following a downgrade to "Needs to Improve" on its 2013 CRA exam, which was published in 2017. Santander rose back up to a "Satisfactory" on its 2017 exam. While ANHD appreciates the work Santander is doing to implement the plan, they had declines in community development activities similar to other banks in our study, particularly in community development lending. Though the dollars invested increased, the number of investments went down. Still, we are hopeful that the new staff and structures will make Santander more responsive over the long term as they build up their teams in Boston and New York City. The bank has created national and local advisory boards that meet regularly and are able to provide feedback on an ongoing basis. Valley National, too, has been making more of an effort to reach out to community organizations and saw improvements in lending 2016, but those declined in 2017.

- Capital One provided LIHTC investments and loans for the development of Mill Brook Terrace, a project located on a former NYCHA parking lot. The project, developed by the nonprofit developer, West Side Federation for Senior and Supportive Housing (WSFSSH), is a nine-story building with 159 units of affordable housing for formerly homeless and low-income seniors. There also will be an 8,300 square foot senior community center.
- Citibank supported the development of a mixed-income, mixed-use development in the Bronx, "El Central" that will provide nearly 1,000 units of affordable housing for families earning 30% to 100% AMI, as well as community and retail space.
- Deutsche Bank supported a new housing development in the Bronx, and also invested in a working capital loan to the newly formed Joint Operating Entity (JOE), which is a REIT-like asset management entity created to provide long-term preservation of non-profit owned affordable housing units. Deutsche Bank has supported JOE from its inception.
- Valley National supported the construction of two affordable housing deals, including one that will create supportive housing for people recovering from substance abuse. They also continue to support CPC which provides loans for affordable housing statewide.
- M&T is reentering the LIHTC market and has stated that they are pursuing more opportunities in this area of reinvestment.
- Morgan Stanley reported a loan to St. Nick's Alliance to help preserve a community facility that has operated as a city-funded child care and senior center for 40 years that was at risk of being sold to developers. They also partnered with the Low-Income Investment Fund ("LIIF") on this project.

We note that banks like New York Community Bank and Signature Bank do much of their community development lending through their core multifamily and commercial lending. As we discuss in depth in the multifamily section, we very much appreciate the steps these banks are taking to improve upon the quality of their multifamily lending, but that is about having a responsible business model, which is separate from the community development lending discussed here. Neither bank has a community development staff and both still do much of their CRA lending through their normal course of business, and with few loans to nonprofits. That being said, we are glad Signature remains in the LIHTC market, and we were encouraged by their new recoverable grant program introduced in 2018 to support nonprofits implement capital improvements in their buildings.[58] New York Community Bank, too, is once again reporting loans to nonprofits and CDCs, but the volume is very low (three loans to nonprofits, none to CDCs). Through the narratives in the surveys provided to ANHD over the years, we know that some of their mortgage loans are to nonprofits and/or are deed restricted, but most loans

58 http://investor.signatureny.com/news-releases/news-release-details/signature-bank-awards-500000-grants-under-its-building

are in private rent-regulated housing. Both banks also make non-housing commercial loans that qualify for additional credit, which typically seem to be based on the location of the loan such as in low- and moderate-income census tracts or areas targeted for redevelopment, with less regard for the types of jobs created, or the services provided. We see this in their CRA exams and the surveys submitted to ANHD.

We note similar trends with other smaller banks like Apple Bank, Dime, and Ridgewood, and similar patterns emerge for investments. Banks can more easily buy mortgage-backed securities or invest in a general CRA fund, which may have some value, but are not as impactful as other types of investments, such as direct LIHTC investments, EQ2 investments, and other forms of equity more directly connected to the on-the-ground work. Of course, all banks will look for any loan that can qualify for CRA credit, but banks with community development teams will go beyond those.

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

TABLE 25: 2017 COMMUNITY DEVELOPMENT LENDING TO NOT-FOR-PROFIT ORGANIZATIONS (NFP)

	Total		To NFP		% To NFP	
	#	$	#	$	#	$
Largest						
TD Bank	56	$278	50	$226	89%	81%
Chase	35	$195	27	$129	77%	66%
Citibank	16	$241	11	$103	69%	43%
Smaller						
Ridgewood	5	$2.90	5	$2.90	100%	100%
Sterling	8	$108	7	$58	88%	54%
Valley National	13	$58	6	$10	46%	17%
Wholesale						
Morgan Stanley	5	$141	5	$141	100%	100%
Deutsche Bank	36	$101	19	$50	53%	50%
BNY Mellon		$243		$26		11%

TABLE 26: 2017 COMMUNITY DEVELOPMENT LENDING FOR AFFORDABLE HOUSING TO NON-PROFITS

	Total Affordable Housing		Affordable Housing to NFP		% Affordable Housing to NFP	
	#	$	#	$	#	$
Largest						
TD Bank	9	$50	5	$23	56%	47%
Chase	15	$153	7	$87	47%	57%
Capital One	18	$208	6	$57	33%	27%
Citibank	3	$119	1	$52	33%	44%
Smaller						
BankUnited	1	$0.50	1	$0.50	100%	100%
Ridgewood	4	$1.90	4	$1.90	100%	100%
Sterling	2	$21	2	$21	100%	100%
Wholesale						
Morgan Stanley	5	$141	5	$141	100%	100%
Deutsche Bank	18	$58	16	$40	89%	70%
BNY Mellon		$243		$26		11%

TABLE 27: 2017 COMMUNITY DEVELOPMENT LENDING TO NONPROFIT COMMUNITY DEVELOPMENT CORPORATIONS (CDCS)

	Total		... to CDCs		% to CDCs	
	#	$	#	$	#	$
Largest						
Capital One	38	$237	6	$49	16%	21%
M&T	22	$243	1	$1.00	4.5%	0.4%
Smaller						
BankUnited	3	$3.06	1	$0.50	33%	16%
Sterling	8	$108	2	$19	25%	17%
Signature	90	$548	1	$0.12	1.1%	0.0%
Wholesale						
Deutsche Bank	36	$101	9	$1.08	25.0%	1.1%

TABLE 28: 2017 HIGHEST PERCENTAGE CRA-INVESTMENTS TO NOT-FOR-PROFIT ORGANIZATIONS (NFP)

	Total Invest		... to NFP		% to NFP	
	#	$	#	$	#	$
Largest						
Capital One	6	$59	5	$37	83%	63%
Chase	10	$306	3	$33	30%	11%
Smaller						
Sterling	12	$47	1	$18	8.3%	39%
Wholesale						
Morgan Stanley	11	$38	11	$38	100%	100%
Deutsche Bank	4	$92	1	$1.00	25%	1.1%

High quality, impactful community development lending and investments are directly connected to a strong local community development team that is knowledgeable, empowered to act, and engaged with the nonprofit sector and the community it is operating in. We are pleased to see that community development staff serving New York City increased by another 3% (401 to 422). Staff located in New York City increased 4% from 273 to 285. Some of the large banks, including Capital One, Chase, and Citibank, have long had large and well-respected community development teams, as do wholesale banks

TABLE 29: HIGHEST PERCENTAGES OF COMMUNITY DEVELOPMENT STAFF IN NEW YORK CITY, 2017							
	2017			% change 2013-17		% change 2016-17	
	CD Staff	... in NYC	% in NYC	CD Staff	... in NYC	CD Staff	... in NYC
Largest							
M&T	2	2	100%	-33%	-33%	0%	0%
TD Bank	6	6	100%	100%	100%	0%	0%
Citibank	30	28	93%	3.3%	7.1%	-3.2%	-6.7%
Santander	17	14	82%	220%	900%	6%	40%
Bank of America	73	52	71%	0%	0%	0%	0%
Capital One	73	44	60%	29%	24%	16%	7.3%
Chase	131	59	45%	18%	29%	0%	1.7%
Smaller							
Dime	5	5	100%	*from 0*	*from 0*	0%	0%
Ridgewood	9	9	100%	0%	0%	0%	0%
Signature	2	2	100%	0%	0%	0%	0%
Sterling	8	8	100%	350%	*from 0*	-11%	60%
Valley National	8	6	75%	700%	*from 0*	0%	0%
BankUnited	4	1	25%	*from 0*	*from 0*	0%	0%
NYCB	5	0	0%	0%	0%	0%	0%
Apple	1	1	100%	-	-	0%	0%
Wholesale							
BNY Mellon	9	9	100%	0%	0%	0%	0%
Deutsche Bank	7	7	100%	20%	20%	17%	17%
Goldman Sachs	27	27	100%	-3.7%	-3.7%	3.8%	3.8%
Morgan Stanley	5	5	100%	33%	33%	25%	25%

like Deutsche Bank, Goldman Sachs, and Morgan Stanley. The changes in staffing and intentionality at Valley National and Santander have made the banks more responsive to local needs. TD Bank, too, is being recognized in recent years for having a responsive team that is open to supporting local projects.

The biggest increases were at Capital One, once again (63 to 73), and Santander, Deutsche Bank, Goldman Sachs, and Morgan Stanley which added one staff each. Santander increased the number of staff in New York City the most. Chase, Capital One, Sterling, and the wholesale banks also added staff located in New York City. Sterling's data is combined with Astoria's data, so the decline in 2017 is concerning; we would hope the combined bank would lead to more community development staff over the longer term. Most banks have long had their staff located in the City, including the wholesale banks where all of their staff are in New York City, as well as Citibank, Chase, and Capital One which each have a large CD staff located in the City. On the other hand, New York Community Bank does not have a true community development team, with people dedicated to this area of CRA. They also maintain their staff in Long Island.

RECOMMENDATIONS

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

Banks should increase community development lending and investments, as well as direct substantial amounts to locally based CDCs and community organizations. Specifically, we urge banks to integrate the following into their CRA-related practices:

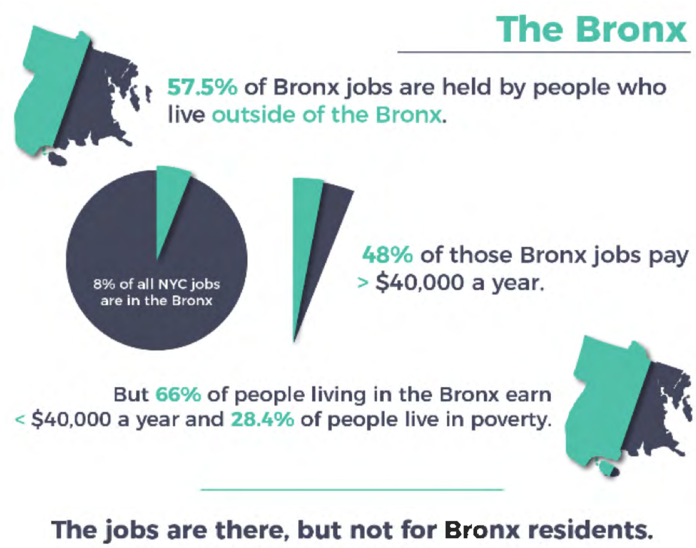
- **Continue to increase community development loans and investments, and direct resources to nonprofit and community organizations** that are locally rooted and committed to permanent affordability, deep affordability, and long-term improvements in their communities.
    - In the current climate, banks should particularly look for ways to make up for the decrease in the value of LIHTC so the burden doesn't fall exclusively on government and developers, particularly nonprofit developers.

- **Support the smaller and most effective nonprofit developers with targeted affordable products to build and preserve affordable housing and create quality jobs.** This includes the following:
    - **Acquisition and predevelopment costs.** The cost of land can be prohibitively high for nonprofit developers in New York City without additional resources. Banks should provide capital and equity, grants, "soft loans," and low-cost lines of credit to acquire land and cover myriad other predevelopment costs.
    - **Smaller loans and smaller deals.** Often, neighborhood-based CDCs have access to smaller properties, especially when competing with larger for-profit developers. They need affordable capital to take advantage of all opportunities to build and preserve affordable housing.
    - **Appropriate risk assessment.** Nonprofit developers are often charged additional fees and receive less desirable loan terms because they are seen as riskier than more-resourced for-profit developers. Banks should consider other factors when assessing risk with nonprofits. Some factors might include the number of years of experience the nonprofit has in managing and developing affordable housing, or the percentage of financially successful projects from their portfolios. Banks could also offer more favorable terms based on the ancillary benefits to the community that CDCs uniquely provide.
- **Look at the overall impact of the activity** with respect to the quality of jobs created, the quality of housing, and the sustainability of the impact over time. Banks – and regulators – must ensure that the loan meets the needs of local communities and does not cause harm. Banks should get higher ratings for engaging in impactful activities. At the same time, regulators should not give credit for any activity that leads to harm or displacement, and downgrade a bank if it exhibits patterns of behavior that fuel displacement.
- **Create and maintain a strong community development team with a presence in New York City.**
    - The most effective reinvestment programs start with strong leadership. Banks should have a community development team located in or near New York City and be knowledgeable about, engaged in, and committed to a bank's CRA programs.
    - Some banks have very knowledgeable staff, but they are not given sufficient resources or authority. Banks should empower local staff to fully engage in and support the wide range of community development activities.

ECONOMIC DEVELOPMENT

BACKGROUND

New York City's persistent economic inequality threatens the promise of opportunity in our City. New York State ranks number one in income inequality, with the top 1% of the population making 45.4 times the bottom 99%. In Manhattan, that rises to 115.6 times.[59] And in New York City, the inequality continues to grow. The Independent Budget Office found that in 2014, the bottom 50% of earners accounted for just 5.6% of total earnings in the City, down from 7.4% in 2006; the median income for that group also dropped over that same period,[60] while the median income for the upper 50% grew modestly, with the greatest gains in the top 10% of income earners.



A recent ANHD report delved into these trends here in New York City, demonstrating that the better-paying jobs in communities of color are less likely to go to local residents.[61] In the Bronx, 58% of jobs are held by people who live outside of the Bronx. Just under half of jobs in the Bronx pay over $40,000 a year, yet 66% of Bronx residents earn less than that and 28% live below the poverty line. On the other extreme, in Manhattan, 77% of workers commute from outside the borough. 37% of Manhattanites who live in the borough make less than $40,000. Racial disparities also persist throughout the city. In Elmhurst, Queens, for example 15% of all jobs are held by Asian workers, yet 35% of residents are Asian. Similarly, while Latino residents comprise 48% of the neighborhood population, only 26% of all workers employed in the neighborhood are Latinx. In Jamaica, Queens, 65% of residents are Black, yet only 35% of the neighborhood workforce is comprised of Black employees. Unemployment rates for these populations are all higher than White residents, and in these neighborhoods, they exceed the citywide averages.

Banks have an opportunity, and obligation, to help address these needs as a key piece of their CRA activities; however, too often, they fall short or fail to expand their activities beyond affordable housing. This is understandable, as **economic development has long been considered the most misunderstood and challenging category within the CRA's categories of community development. Activities that further *equitable* economic development are even less understood. Despite these challenges, there is an increasing push to define activities, and expand CRA activities to fuel this important work.**

59 http://www.epi.org/multimedia/unequal-states-of-america/#/New%20York
60 http://ibo.nyc.ny.us/cgi-park2/2017/04/how-has-the-distribution-of-income-in-new-york-city-changed-since-2006/
61 https://anhd.org/report/racial-jobs-gap-who-benefits-new-yorks-economic-growth

The change towards understanding how economic development activities can be an integral part of a banks CRA activities is occurring, in part, due to the attention regulators have been putting on this category in recent years and in part due to new opportunities and emphasis on behalf of nonprofits and government. Economic development under the CRA can be captured under two main categories: **small business lending**, and the **economic development category of community development**. In addition, there are activities that contribute to *equitable* economic development that do not fall under either category as defined by the CRA (as we discuss in more depth later on). While more needs to be done, it is important we look at the landscape of these sub-categories and their potentials.

SMALL BUSINESS LOANS

New York City is home to over 1.03 million businesses, of which over 883,000 are "non-employers," i.e. businesses operated solely by the owner.[62] Of the 237,000 employer businesses, nearly 150,000 (63%) have just 1-4 employees. Access to capital is critical for these small businesses to grow, and for new businesses to form, especially in under-developed neighborhoods. Small businesses everywhere, and particularly low-income and women- and minority owned business, continue to face barriers in accessing financing from traditional banks. As a result, they are often forced to borrow from friends and family, use personal savings, defer investment, or turn to less-regulated, higher cost, sometimes predatory online lenders.

Banks have an opportunity, and obligation, to help address economic development needs as a key piece of their CRA activities.

The credit needs of small businesses are many and varied. As in prior years, there remains strong demand for smaller dollar loans, particularly among the smallest businesses, but the demand is for traditional loans and lines of credit rather than higher interest, short-term credit card loans. According to the latest joint Federal Reserve Bank survey of employer firms, 87% of applicants applied for loans and lines of credit, versus 27% that applied for credit cards. And most firms sought financing of $25,000 to $100,000, followed by those seeking loans below $25,000[63]. Similar trends emerged for non-employer firms, with 77% seeking loans and lines of credit; a higher percentage applied for the smaller loans below $25,000[64].

In 2018, ANHD engaged in an **Immigrant Cultural Corridors Initiative**, which focused on understanding the needs of local immigrant small businesses. We collected 83 surveys and conducted 12 focus groups in three immigrant neighborhoods in Queens (Jackson Heights), Manhattan (Lower East Side / Chinatown) and the Bronx (Kingsbridge)[65].

Of particular note, we found that **nearly half (44%) of respondents have no place to access additional capital for their businesses**. Many business owners had applied for loans from traditional banks in their neighborhoods and were denied, leading them to seek out other, less formal, unregulated sources of financing. Other top concerns were related to rising rents and a lack of leases, leaving commercial tenants vulnerable to harassment and displacement.

62 Census Quickfacts
63 https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2018/sbcs-employer-firms-report.pdf
64 https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2018/sbcs-nonemployer-firms-report.pdf
65 https://www.anhd.org/report/forgotten-tenants-new-york-citys-immigrant-small-business-owners

The Central Brooklyn Reinvestment Working Group also surveyed nearly 70 small businesses and uncovered similar challenges to the Immigrant surveys

- Over two thirds faced financial challenges in the previous year. Their top challenges were having funds to pay for the expansion of their business/pursuing other opportunities and paying operating expenses. Both of these would include paying rent.
- Almost half are relying upon personal and business credit cards to finance their businesses.
- 78% did not apply for financing in the previous year, and of those a quarter didn't apply because they doubted they would be approved. Yet, only a third said they had sufficient funding.

In general, loans that are evaluated under the CRA as conventional small business loans cannot be considered as community development loans. These "small business loans" are defined as business loans of one million dollars or less; business loans over one million dollars can be considered for community development credit. CRA regulators evaluate small business loans on: *1) the percentage of loans within the assessment area*; *2) the distribution of loans within low- and moderate-income census tracts; 3) the percentage of loans to "small businesses," defined by having gross annual revenues of one million dollars or less*; and *4) the distribution of loans by loan amount (less than $100,000, $100,000-$250,000, and $250,000-$1 million)*. This data is extremely limited with regards to the loan type, outcome, borrower, and location. For some types of loans, particularly credit card loans and some renewals, banks may not consider revenue size in their underwriting, and they are not required to do so for any loan. Traditional loans and lines of credit are more likely to use revenue size and given that revenue size is the only data we have available to determine a loan to a smaller business, we believe those loans are a better indication of a bank's record of small business lending. All types of loans are important, but lending to smaller businesses must carry more weight, thus this report evaluates loans to small businesses and their distribution within low- and moderate-income census tracts. ANHD was looking forward to the implementation of Section 1071 of the Dodd-Frank Wall Street Reform Act, which requires lending institutions to collect and disclose more data on small business lending, akin to what HMDA provides for home mortgages.[66] Unfortunately, with the change in leadership at the CFPB, Section 1071 has not yet been implemented and there are no indications that they will any time soon, if at all.

COMMUNITY DEVELOPMENT LOANS, INVESTMENTS, AND GRANTS

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

- **To meet the size test, the loan must finance, directly or through an intermediary, "small businesses,"** as defined by (1) Small Business Administration standards, or (2) revenues of one million dollars or less. The new Q&A guidance broadens the definition of "financing" to include technical support that helps a business access financing.
- **To meet the purpose test, the activity must promote economic development by supporting permanent job creation, retention, and/or improvement for persons who are low- to moderate-income, or in low- to moderate-income geographies, or in areas targeted by governments for redevelopment.** Certain investments in intermediaries that support new businesses, and activities that provide technical support and promote workforce development also

66 HR 4173 of 2010, Section 1071

qualify, regardless of income, also meet the purpose test. There are also some specific loans and investments that automatically meet this purpose test, such as New Markets Tax Credits, Small Business Investment Corporations (SBICs), and Community Development Financial Institutions (CDFIs) that finance small businesses.

THE NEED TO ASSESS EQUITABLE ECONOMIC DEVELOPMENT

As part of this context, it is also key to understand that ANHD believes that *equitable* economic development—which goes beyond expanding the tax base and beyond simply creating and preserving jobs is a more refined and effective way to understand a banks role in this CRA area. Equitable economic development is about what jobs are being created and who specifically is being served. **Equitable economic development is about creating the systems and environments to create a stable middle and working-class employment base and workforce that creates a meaningful path to the middle class. It ensures that these systems and opportunities are extended intentionally to the low- and moderate-income and underserved communities that need them most through targeted strategies for quality job creation, small business development, and workforce development and placement.** This can include financing manufacturing or retail space for nonprofit developers, financing for businesses that partner with government on local hiring and training opportunities, and technical support for immigrant businesses to build credit and access financing, among many other methods. In fact, one area that ANHD has placed considerable emphasis on over the past few years is preserving and revitalizing New York City's industrial and manufacturing sector, which provides well-paying jobs for communities of color. ANHD is committed to protecting and growing these jobs by protecting manufacturing zoned land across the city and by creating innovative financing tools to assist nonprofit industrial development.

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

While "equitable economic development" is not defined within the CRA, and therefore not specifically assessed with the context of, the CRA's "economic development" tests, banks should recognize these key points. Many loans that qualify under the CRA's definition of "economic development" do not support *equitable* economic development, and therefor are not truly helping the population the CRA aims to serve. Conversely, activities that we believe support equitable economic development, but do not qualify for economic development credit may be assessed within another CRA category, such as *neighborhood revitalization and stabilization* or *community services*. ANHD believes that the failure to explicitly define, and reward investments targeted toward equitable economic development is a missed opportunity. Equitable economic development can encompass multiple sectors and strategies, and all should form part of a bank's economic development evaluation under the CRA.

PRINCIPLES

Now is the time for government, developers, nonprofit organizations, and banks to take the same strategic intentional approach to economic development that has been taken for housing to develop the tools and resources needed to support New York City's businesses and workers in an equitable way

- **Banks that make small business loans have an obligation to lend equitably to small businesses, particularly businesses owned by lower-income people, people of color, and immigrants.**

This means significant bank lending to small and micro businesses overall and in lower-income tracts. Banks should offer and affirmatively market responsible affordable products for the wide range of businesses in New York City. They should emphasize traditional loans and lines of credit, which are more impactful than high-interest, short-term credit card loans.

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

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

The trend of low wages and income inequality will only increase if the fastest-growing jobs pay low wages, such as in the retail and service sectors, and if low-income, minority, and immigrant populations continue to face barriers to better paying jobs.

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

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

- **Increase the volume and dollars of community development loans, investments, and grants dedicated to equitable economic development**.

- **Prioritize high quality jobs by looking more closely at the impact of the activity** on the businesses and the jobs created, preserved or improved. This includes wages, workforce development, benefits, targeted hiring strategies, and supports for small businesses.

- **Partner with nonprofit developers, organizers, lenders, and service providers** to develop products and programs that will have the greatest impact. This includes funding research and capacity building as well as creating open lines of communication to understand trends, solicit feedback, and share industry expertise.

- **Partner with nonprofit developers to develop and manage affordable space for manufacturing and other small businesses.** The Industrial Developer Fund, and related Urban Manufacturing Accelerator Fund, are two prime examples of new tools to support this growing industry.

- **Invest in CDFIs and credit unions** that have strong track records of working with, and lending to, businesses run by people of color, women, and immigrants. This should include loans, deposits, EQ2's, and other investments and grants to support these important institutions.

- **Dedicate staff that are knowledgeable about, and focused on equitable economic development**, and who are empowered to make strategic decisions to work alone and in collaboration with other financial institutions and government.

TRENDS & FINDINGS

- **Small loans to businesses increased 4.3% citywide overall and 1.6% in LMI tracts; banks in this study lagged citywide trends.**
- **The volume of small business lending citywide increased 18% overall and 12% in LMI tracts, with dollars increasing 32% in both categories. Among banks in this study, the number of loans increased 53% overall and 41% in LMI tracts, and the dollars loaned increased closer to 60%. However, removing Chase's credit card loans, small business lending actually declined citywide and among banks in this study.**

TABLE 30: CRA SMALL BUSINESS LENDING IN NEW YORK CITY (Business Loans under $1M)

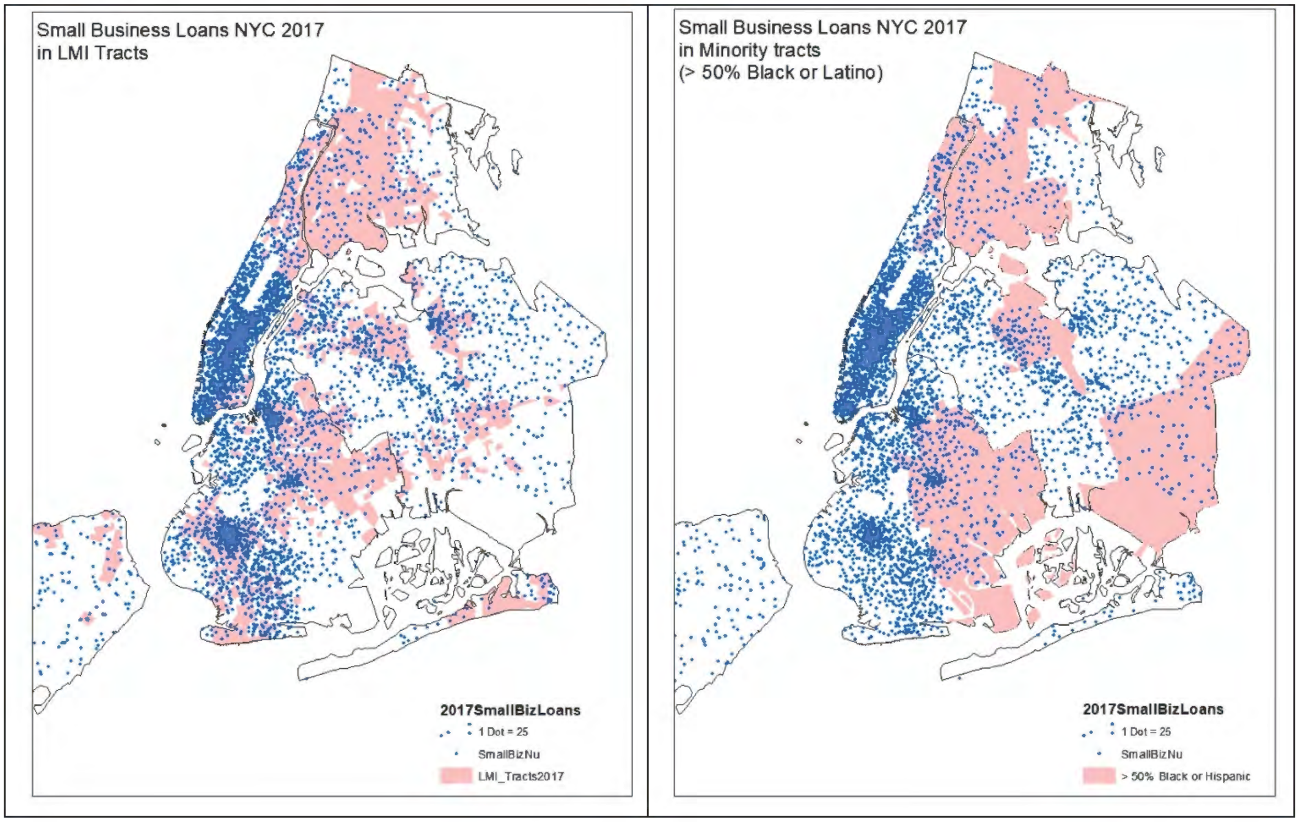
Small Business Loans (Loans <$1M to Businesses with Revenue <$1M)								Small Loans to Businesses (Loans <$1M to Businesses with Revenue of any size)						
	2014	2015	2016	2017	2014-17	2016-17			2014	2015	2016	2017	2014-17	2016-17
21 ANHD Lenders								**21 ANHD Lenders**						
Total (#)	29,602	44,413	42,442	64,766	119%	53%		Total (#)	99,948	108,627	112,227	111,617	12%	-0.5%
Total ($)	$1033	$834	$914	$1466	42%	60%		Total ($)	$3625	$3446	$3709	$3818	5.3%	2.9%
% of total (#)	30%	41%	38%	58%				… in LMI (#)	32,925	37,638	39,386	37,600	14%	-4.5%
% of total ($)	28%	24%	25%	38%				… in LMI ($)	$991	$920	$1043	$1048	5.7%	0.4%
… in LMI (#)	10,088	16,461	16,461	23,138	129%	41%								
… in LMI ($)	$329	$251	$301	$477	45%	59%								
% LMI (#)	34%	37%	39%	36%	5%	-7.9%		% LMI (#)	33%	35%	35%	34%	2.3%	-4.0%
% LMI ($)	32%	30%	33%	33%	2%	-1.2%		% LMI ($)	27%	27%	28%	27%	0.4%	-2.5%
Avg. Loan ($)	$34,894	$18,789	$21,530	$22,630	-35%	5.1%		Avg. Loan ($)	$36,273	$31,727	$33,047	$34,206	-5.7%	3.5%
… in LMI	$32,625	$15,252	$18,294	$20,630	-37%	13%		… in LMI	$30,089	$24,439	$26,493	$27,862	-7.4%	5.2%
All NYC Lenders								**All NYC Lenders**						
Total (#)	78,480	103,548	99,117	117,314	49%	18%		Total (#)	189,092	210,465	217,752	227,030	20%	4.3%
Total ($)	$1647	$1535	$1750	$2311	40%	32%		Total ($)	$5374	$5424	$6174	$6753	26%	9.4%
% of total (#)	42%	49%	46%	52%	25%	14%								
% of total ($)	31%	28%	28%	34%	12%	21%								
… in LMI (#)	26,543	37,911	35,059	39,395	48%	12%		… in LMI (#)	60,251	71,120	71,464	72,619	21%	1.6%
… in LMI ($)	$553	$491	$575	$759	37%	32%		… in LMI ($)	$1486	$1468	$1752	$1875	26%	7.0%
% LMI (#)	34%	37%	35%	34%	-0.7%	-5.1%		% LMI (#)	32%	34%	33%	32%	0.4%	-2.5%
% LMI ($)	34%	32%	33%	33%	-2.2%	0.0%		% LMI ($)	28%	27%	28%	28%	0.4%	-2.2%
Avg. Loan ($)	$20,987	$14,825	$17,655	$19,695	-6.2%	11.6%		Avg. Loan ($)	$28,420	$25,770	$28,353	$29,746	4.7%	4.9%
… in LMI	$20,834	$12,962	$16,399	$19,266	-7.5%	17%		… in LMI	$24,670	$20,640	$24,514	$25,814	4.6%	5.3%

In 2017, small businesses loans (loans to businesses with revenues under one million dollars) among banks in this study increased at a much higher rate than loans citywide, increasing 53% versus 18% citywide. However, when we remove the credit card loans from Chase, the numbers are much closer year-to-year, and actually went down – down 10% versus 8.4% overall, and they declined 15% in LMI tracts among banks in our study and by 13% citywide. Lending increased from 2014 to 2017, up 29% among banks in our study and 16% citywide, and up 40% in LMI tracts vs 14% citywide. Not surprisingly, average loan sizes are higher without the credit card loans, too, but of course the other figures include other banks with large volumes of credit card loans, such as at Capital One, Citibank, HSBC, and Wells Fargo.

The biggest lenders - Bank of America, Capital One, Chase, and Citibank - each do a considerable amount of credit card lending. A total of 89% of Capital One's business loans and 97% of loans to small businesses were done through its credit card affiliate. At Chase, 93% of all small loans to businesses and 96% of loans to small businesses were done through the credit card affiliate. The percentage of dollars loaned by the credit card banks are lower because the loans through the retail bank are larger. Chase had not previously captured revenue size in its credit card loans, making it impossible to know how many of those loans were to small businesses. We appreciate that they now do report that data. 56% of their credit card loans went to small businesses, and 67% of dollars loaned did, whereas just 30% of their bank loans were to small businesses and 11% of dollars loaned. Roughly a third of the credit card small business loans were in LMI tracts. A commonly used indicator of a credit card lender is one in which the average loan size is below $10,000. Both Capital One and Citibank again meet that criteria for small business loans. Both exceed that for all small loans to businesses, but are still the lowest among all lenders in the study ($20,725 for Capital One and $12,408 for Citibank). TD Bank was next, that with an average of $26,289, and their average loan size for small businesses was lower at $20,353.

TABLE 31: Small Business Loans (to businesses <$1M Rev) with and without Chase credit card											
ANHD Lenders											
				with Chase Credit card 2017			without Chase Credit Card 2017			Chase Credit Card	Chase Bank
	2014	2015	2016	2017	2014-17	2016-17	2017	2014-17	2016-17	2017	2017
Total (#)	29,602	44,413	42,442	64,766	119%	53%	38,283	29%	-10%	26,483	1,088
Total ($m)	$1033	$834	$914	$1466	42%	60%	$1062	2.8%	16%	$404	$93
... in LMI tracts (#)	10,088	16,461	16,461	23,138	129%	41%	14,074	40%	-15%	9,064	335
... in LMI tracts ($m)	$329	$251	$301	$477	45%	59%	$343	4.3%	14%	$134	$30
% LMI (#)	34%	37%	39%	36%	4.8%	-7.9%	37%	7.9%	-5.2%	34%	31%
% LMI ($)	32%	30%	33%	33%	2.2%	-1.2%	32%	1.4%	-2.0%	33%	32%
Avg. Loan ($)	$34,894	$18,789	$21,530	$22,630	-35%	5.1%	$27,742	-20%	29%	$15,241	$85,789
... in LMI tracts ($)	$32,625	$15,252	$18,294	$20,630	-37%	13%	$24,379	-25%	33%	$14,809	$88,919
Citywide Lenders											
				with Chase Credit card 2017			without Chase Credit Card 2017				
	2014	2015	2016	2017	2014-17	2016-17	2017	2014-17	2016-17		
Total (#)	78,480	103,548	99,117	117,314	49%	18%	90,831	16%	-8.4%		
Total ($m)	$1647	$1535	$1750	$2311	40%	32%	$1907	16%	9.0%		
... in LMI tracts (#)	26,543	37,911	35,059	39,395	48%	12%	30,331	14%	-13%		
... in LMI tracts ($m)	$553	$491	$575	$759	37%	32%	$625	13%	8.7%		
% LMI (#)	34%	37%	35%	34%	-0.7%	-5.1%	33%	-1.3%	-5.6%		
% LMI ($)	34%	32%	33%	33%	-2.2%	-0.02%	33%	-2.4%	-0.3%		
Avg. Loan ($)	$20,987	$14,825	$17,655	$19,695	-6.2%	12%	$20,994	0.0%	19%		
... in LMI tracts ($)	$20,834	$12,962	$16,399	$19,266	-7.5%	17%	$20,597	-1.1%	26%		

Among the larger volume lenders (lenders that made over 1,500 small loans to businesses), only Chase, Santander, TD Bank and HSBC increased the number of loans to small businesses from 2016 to 2017. But, for Chase and Santander, the numbers are misleading. For Chase, it is because they now record revenue size for their credit card loans. Their bank-originated small business loans declined 10% from 2016 to 2017. For Santander, the bank retroactively analyzed their 2018 loans and updated the number of small business loans, which are not reflected in the FFIEC data. Prior years may have been at similar volumes. Using the publicly reported numbers, their lending declined 13% by volume and 40% by dollar amount. (FFIEC reports 196 loans to small businesses, and the updated numbers provided by the bank record 964 loans). All of the larger lenders, except Wells Fargo and HSBC, are above 2013 lending levels. Chase's bank loans are also up from 2013. We are pleased to see the year-to-year increase at HSBC after many years of decline, but they are still below 2013 levels.



TD Bank and Citibank made the highest percentages of their total small loans to small businesses with revenue under one million dollars – 81% and 78%, respectively, followed by 65% at Wells Fargo. A total of 51% of Bank of America's loans were to small businesses, down from 57% in 2016.

Only four of the small to middle volume lenders increased their lending in 2017. Signature's lending increased the most, over double from 2017, and well above the 82 in 2015, but still well below 2013 and 2014 levels when they made over 800 loans each year. Valley National increased considerably, too, up 56% in 2017 and at their highest level in five years. M&T's loans were largely flat, with just one more loan than the prior year.

New York Community Bank's lending declined again down to 87 loans from 97 in 2016. Their lending is more relationship based and likely to fluctuate over the years, depending on the size of loans made and demand among existing customers – they don't have a retail business banking presence. Given their pull out of the 1-4 family lending entirely, we would like to see them put more emphasis on consumer small business lending – they have the branch network and business clients to support such a move and it would help them better serve their customer base.

We also observed some progress in how banks are supporting small businesses in other ways. For example, TD Bank has long had a second look program with Acción, and in some areas includes other local CDFI's in its declination letters. In this way, they are able to refer declined borrowers to more reputable sources, rather than less online lenders, which are more likely to be higher cost and predatory in some cases. Valley National Bank is in the process of developing a similar program with other nonprofit lenders and has also been working on their small business lending products. Citibank has long supported New York City's small business services centers as well as organizations that work directly with small businesses, particularly immigrant businesses. Goldman Sachs' *10,000 small businesses*, and Santander's support for non-traditional education programs for business owners are other ways to develop their skills and help them grow to the next level. Many banks also have supplier developer

programs. While not technically eligible for CRA credit on their own, they are a way to support local minority- and/or women-owned business enterprises.

A number of new CRA plans in 2017 and into 2018 include small business lending and support as key areas:

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

TABLE 32: 2017 HIGHEST PERCENTAGE OF CRA SMALL BUSINESS LOANS IN LMI TRACTS													
	Small Business Loans (to biz Rev <$1M)								Small Loans to Businesses				
	Small Biz (#)	% Total	Small Biz ($)	Avg. Loan	… LMI tracts (#)	% LMI (#)	… LMI tracts ($)	Avg. in LMI Tracts ($)	Total (#)	Avg Size	… in LMI tracts (#)	%LMI Tracts (#)	Avg. in LMI Tracts ($)
Largest													
Capital One	8,368	51%	$78	$9,333	3,442	41%	$29	$8,284	16,304	$20,725	6308	39%	$14,703
Bank of America	7,198	53%	$105	$14,608	2,882	40%	$32	$11,161	13,622	$31,568	4953	36%	$23,552
Citibank	10,653	78%	$91	$8,550	4,125	39%	$28	$6,709	13,745	$12,408	5192	38%	$8,308
TD Bank	5,098	81%	$104	$20,353	1,773	35%	$33	$18,870	6,323	$26,289	2156	34%	$23,996
Santander	964	54%	$58	$59,722	266	28%	$16	$61,259	1,799	$104,616	543	30%	$118,578
Santander (FFIEC)	*196*	11%	*$13*	*$67,607*	*67*	34%	*$5*	*$69,000*	*1,799*	$104,616	*543*	30%	*$118,578*
Chase	27,571	54%	$497	$18,025	9,399	34%	$164	$17,451	51,011	$28,017	16,225	32%	$22,678
Chase Bank	1,088	30%	$93	$85,789	335	31%	$30	$88,919	3,646	$226,404	985	27%	$180,587
HSBC	2,183	55%	$80	$36,471	548	25%	$18	$32,684	3,954	$67,412	848	21%	$62,678
Wells Fargo	1,832	65%	$74	$40,596	407	22%	$16	$40,523	2834	$50,652	610	22%	$46,057
M&T	100	47%	$20	$203,260	12	12%	$2	$167,000	212	$278,429	29	14%	$230,379
Smaller													
Dime	6	75%	$0.32	$53,333	4	67%	$0.25	$62,500	8	$58,750	4	50%	$62,500
Flushing	73	66%	$34	$459,932	40	55%	$19	$475,200	111	$491,667	49	44%	$489,959
Emigrant	20	100%	$8.87	$443,300	9	45%	$4	$482,333	20	$443,300	9	45%	$482,333
NYCB	87	69%	$41	$475,460	37	43%	$22	$603,541	127	$445,638	45	35%	$554,133
Sterling	111	36%	$21	$186,982	43	39%	$10	$228,233	310	$201,819	101	33%	$218,574
Signature	249	34%	$139	$558,137	95	38%	$57	$603,011	733	$317,828	409	56%	$236,355
Popular Community	11	37%	$4.65	$422,273	4	36%	$1	$274,000	30	$418,300	11	37%	$331,818
BankUnited	28	43%	$15	$536,500	7	25%	$3	$453,857	65	$592,354	20	31%	$588,800
Valley National	214	52%	$95	$444,879	45	21%	$22	$477,778	409	$390,423	88	22%	$401,886

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

- **Chase's $20 Billion commitment,** announced in 2018, includes new small business bankers, additional $4 billion in small business lending, and additional resources to support small businesses[67].

- **Dollars invested in economic development declined in 2017, and are down from 2013.**

- **Banks that dedicate resources and form partnerships with the nonprofit community had a greater impact on promoting *equitable* economic development.**

QUANTITY

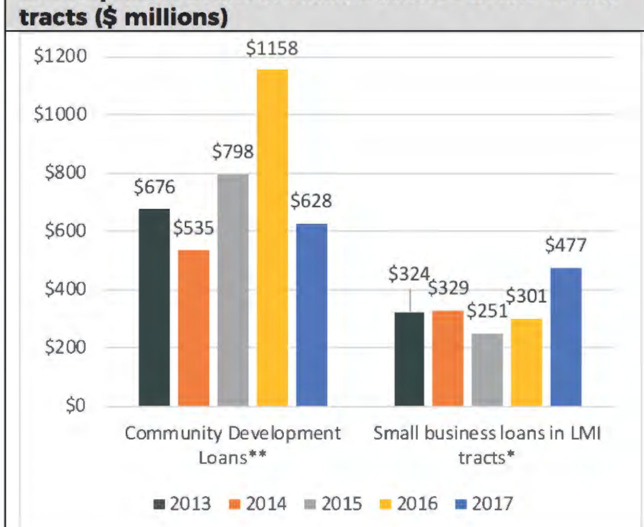
In 2013, the banks in this study reinvested $1.05 billion towards economic development, which we quantify as small business loans in low- and moderate-income tracts and community development loans, investments, and grants that fall under the economic development category under the CRA. In 2014, ANHD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

67 https://www.jpmorganchase.com/corporate/news/pr/multi-billion-investment-employees-local-economies.htm

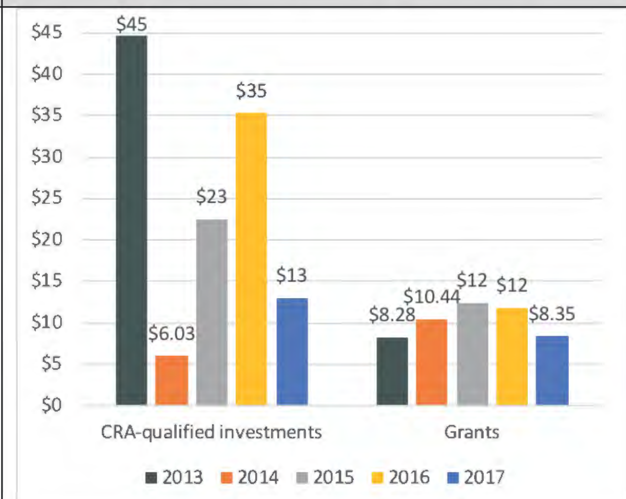
TABLE 33: Economic Development Reinvestment in New York City							
	2013	**2014**	**2015**	**2016**	**2017**	**2013-17**	**2016-17**
Community Development Loans**	$676	$535	$798	$1158	$628	-7.1%	-46%
CRA-qualified investments	$45	$6.03	$23	$35	$13	-71%	-63%
Grants	$8.28	$10.44	$12	$12	$8.35	0.9%	-29%
Subtotal community development	$729	$551	$833	$1206	$649	-11%	-46%
Small business loans in LMI tracts*	$324	$329	$251	$301	$477	47%	59%
Total	**$1053**	**$880**	**$1084**	**$1507**	**$1126**	**7.0%**	**-25%**
**Excludes Community development loans and investments for Wells Fargo and HSBC, who stopped responding, as did Popular in 2017							
Excluding chase credit card loans in 2017:							
Small business loans in LMI tracts, excluding Chase	$324	$329	$251	$301	$343	5.9%	14%
Total	**$1053**	**$880**	**$1084**	**$1507**	**$992**	**-5.7%**	**-34%**

After a few years of increases, investment in economic development decreased in 2017, down $379 million; or a $513 million decline without Chase's credit card loans. This is after an increase of $205 million in 2015 and $421 million in 2016. However, dollars are not much higher than they were in 2013 overall, up 7%, and actually declined 6% without the credit card loans. The sharpest declines in 2017 were in CRA-qualified investments, followed by community development loans and then grants.

Economic Development Loans: Community Development Loans & Small Business Loans in LMI tracts ($ millions)



Economic Development Investments: CRA-qualified investments & Grants ($ millions)



The amount loaned for economic development decreased from $1.2 billion in 2016 to $628 million in 2017. This is below the amount loaned in every year since 2013, except for 2014. On average in 2017, Just over 20% of loans by volume and dollar amount were for economic development, down from 26% and 23%, respectively in 2016 (and over a third in 2015). When including multifamily community development loans, the percentages in 2017 were 7.6% (volume) and 6.6% (dollar), down from 9.7% and 8.5%, respectively. The average percentage of CRA-qualified investment dollars went from 15% to 9%, but the percentage by number of investments went from 9.5% down to 0.4%. The median remained at 0% because most banks did not have any investments in that category.

At the smaller commercial banks, much of the changes in community development lending is driven at least in part by loans that get credit based on the location of the loan, rather than the type of jobs created or the impact on low- to moderate-income people. It was more a reflection of a changes in the market, rather than intentionality around equitable economic development. And the drop in 2017, seems similarly related, as the steepest drops are at New York Community Bank, Sterling, and Signature, all commercial lenders. Other lenders declined, too, but not by nearly as many loans. The dollars declined the most at New York Community Bank, followed by M&T and then Signature.

We do also see loans to CDFI's for small business loans and other investments in projects that are leading to job growth. But, overall, very few economic development loans are to nonprofits, which are likely to have a large impact than loans to for-profit businesses, especially those without an intentional strategy to grow or retain jobs, hire locally, and/or pay living wages.

The average percentage of grants by volume to economic development was fairly steady at 20%; In 2017, an average of 19% and a median of 12% of grant dollars went towards economic development, up from 17% and 11%, respectively, in 2016.

TABLE 34: 2017 PERCENTAGE OF COMMUNITY DEVELOPMENT LENDING TO ECONOMIC DEVELOPMENT ($ IN MILLIONS)

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

	CD Lending (#)	CD Lending ($)	Economic Devt. Loans (#)	Economic Devt. Loans ($)	% CD Lending w/out MF (#)	% CD Lending w/out MF ($)	CD Loans Incl. MF (#)	CD Loans Incl. MF ($)	% CD Lending w/ MF (#)	% CD Lending w/ MF ($)
Largest										
M&T	22	$243	2	$17	9.1%	6.8%	22	$243	9.1%	6.8%
Bank of America	29	$432	2	$5	6.9%	1.1%	29	$432	6.9%	1.1%
Citibank	16	$241	1	$11	6.3%	4.4%	19	$315	5.3%	3.4%
Santander	3	$12	2	$3	67%	21%	45	$272	4.4%	0.9%
Capital One	38	$237	3	$3	7.9%	1.1%	144	$732	2.1%	0.3%
TD Bank	56	$279	1	$0	1.8%	0.1%	58	$286	1.7%	0.1%
Chase	35	$195	0	$0	0.0%	0.0%	83	$341	0.0%	0.0%
Smaller										
BankUnited	3	$3	2	$3	67%	84%	4	$12	50%	21%
Signature	90	$548	81	$467	90%	85%	270	$1260	30%	37%
Valley National	13	$58	1	$2	7.7%	2.8%	15	$64	6.7%	2.6%
Sterling	8	$108	1	$50	13%	46%	28	$227	3.6%	22%
NYCB	18	$153	5	$42	28%	28%	190	$1275	2.6%	3.3%
Ridgewood	5	$3	1	$1	20%	34%	76	$203	1.3%	0.5%
Flushing	3	$8	0	$0	0.0%	0.0%	176	$364	0.0%	0.0%
Apple	0	$0	0	$0			11	$37	0.0%	0.0%
Dime	0	$0	0	$0	-	-	10	$30	0.0%	0.0%
Wholesale										
Deutsche Bank	36	$101	5	$27	14%	26%			14%	26%
Goldman Sachs	3	$79	0	$0	0%	0%			0%	0%
Morgan Stanley	5	$141	0	$0	0%	0%			0%	0%
BNY Mellon		$243		$0		0%				0%

TABLE 35: 2017: CRA-qualified investments for economic development

	CRA Invest (#)	CRA Invest ($)	Econ Devt (#)	Econ Devt ($)	% econ Devt (#)	% econ Devt ($)
Largest						
Capital One	6	$59	4	$0.49	67%	0.8%
Citibank	29	$280	1	$4.90	3%	1.8%
Chase	10	$306	0	$0.00	0%	0.0%
M&T	6	$41	0	$0.00	0%	0.0%
Santander	5	$76	0	$0.00	0%	0.0%
TD Bank	48	$63	0	$0.00	0%	0.0%
Bank of America	16	$351	0	$0.00	0%	0.0%
Smaller						
Signature	24	$103	0	$0.00	0%	0.0%
Sterling	12	$47	0	$0.00	0%	0.0%
Ridgewood	3	$7.76	0	$0.00	0%	0.0%
BankUnited	2	$40	0	$0.00	0%	0.0%
Dime	2	$8.30	0	$0.00	0%	0.0%
Valley National	2	$2.89	0	$0.00	0%	0.0%
Apple Bank	0	$0.00	0	$0.00	-	-
NYCB	0	$0.00	0	$0.00	-	-
Wholesale						
Goldman Sachs	5	$274	2	$6.69	40%	2.4%
Deutsche Bank	4	$92	1	$1.00	25%	1.1%

TABLE 36: 2017: CRA-qualified grants for economic development

	Grants (#)	Grants ($)	Econ. Devt (#)	Econ. Devt ($)	% econ Dev (#)	% econ Dev ($)
Largest						
Capital One	190	$9.85	70	$3.55	37%	36%
Santander	63	$1.96	9	$0.37	14%	19%
M&T	203	$1.42	26	$0.22	13%	16%
Citibank	102	$20	8	$0.95	7.8%	4.8%
TD Bank	104	$3.06	6	$0.61	5.8%	20%
Bank of America	50	$2.58	1	$0.04	2.0%	1.6%
Chase	61	$7.90		$0.71		9.0%
Smaller						
Dime	22	$0.29	13	$0.20	59%	70%
Valley National	43	$0.24	21	$0.09	49%	39%
BankUnited	31	$0.29	9	$0.10	29%	34%
Ridgewood	94	$0.09	11	$0.01	12%	13%
Apple Bank	121	$0.15	6	$0.02	5.0%	16%
NYCB	186	$1.61	8	$0.01	4.3%	0.9%
Sterling		$0.23		$0.03		15%
Wholesale						
Deutsche Bank	104	$6.56	20	$1.02	19%	16%
Goldman Sachs	96	$11.54	4	$0.38	4.2%	3.3%

QUALITY

As in all community development lending, particularly economic development, the impact is crucial. A loan to finance a retail center in a low- to moderate-income tract that happens to employ low-wage workers is much less meaningful than a business that hires locally, pays living wages, and offers opportunities for advancement to underserved populations. We appreciate that the 2016 CRA Q&A document revisions placed a stronger emphasis on the latter, but the CRA still allows for both, nevertheless. In fact, regulators added categories that do not require any impact on low- and moderate-income people or neighborhoods, which makes it all the more important for the regulators to pay attention to the impact as much as, if not more so, than the location of the loan or investment.

Similar to trends throughout all areas of community development, grant making to support access to jobs and supports for small businesses declined in 2017, as did many loans and investments. But, we did see evidence of impactful grants to support workforce development, financial literacy, and access to capital. Through its "Pathways to Progress" program, Citibank continues to support programs to prepare youth for college and careers. They also support many local immigrant-led and community-based organizations that are working with small businesses to access capital, expand, and create new jobs. Citibank also created the **Urban Manufacturing Accelerator Fund** (UMAF) with ANHD and New York City's Economic Development Corporation to prepare local nonprofit developers to access the new $150 million Industrial Developer Fund that was designed to create and improve space for industrial manufacturing businesses throughout New York City. Capital One has invested in a number of meaningful efforts to help increase access to capital for small businesses and entrepreneurs, including credit and asset building programs at Chhaya CDC and small loans given through the Business Center for New Americans.

Fewer banks make loans that support meaningful access to jobs, be it through business loans and lines of credit or real estate loans. Most banks made fewer than 10 loans in this category. Signature made well above that, and New York Community Bank has in the past, but both seem more related to commercial business in areas that happen to qualify for credit outside of affordable housing, be it economic development or neighborhood revitalization. While access to credit in low-income areas is important, these types of CRA-qualified loans often have little attention paid to the quality of jobs or connections to nonprofits that will help connect people to quality jobs.

However, some banks are doing more. Only a few banks use New Markets Tax Credits (NMTCs) which can be a valuable tool to support quality jobs. Chase and Citibank made NMTC investments in 2017. Valley National has made loans and grants to a number of nonprofit lenders and has also provided technical assistance to businesses through the Business Outreach Center. As mentioned in prior reports, Deutsche Bank's Working Capital program expanded in 2014 to include economic development, in addition to its traditional housing focus. This well-respected program is comprised of grants and "recoverable grants" (zero interest loans) to support community development projects; it is one of the few that helps with acquisition and pre-development costs. Three of its recipients were devoted to job creation in 2017, including a co-working and small business training center; a social enterprise coffee shop providing career pathways and skill building for low-income youth; and a food business incubator program. TD Bank continues its partnerships with Acción, as mentioned in the prior section. They also outlined measures they are taking to approve more loans below $100,000 and plans to support NYC's Contract Finance Loan Fund for venders certified to do business with MWBE's.

Goldman Sachs continues to place a strong emphasis on economic development as part of their strategy, although the loans they report were not classified as such, perhaps because they fell under other categories such as neighborhood revitalization or community services. They continue to provide loans to CFDIs and other mission-driven over the years. As part of their *10,000 Small Businesses* initiative, they continue to support CDFIs that lend to small businesses, many of which are immigrant-led and minority- and/or women-owned business enterprises. Goldman Sachs also funded ANHD's Immigrant Cultural Corridors initiative, which surveyed the needs of immigrant-led businesses.

Dime made small business loans for the first time in 2016 with 32 loans, but only made four in 2017. Ridgewood recently became an approved Small Business Administration (SBA) lender, but still hasn't made any direct loans yet. They offer loans through a referral partner, NewTek. We encourage both banks to lend, and also to implement a second look program and referrals to nonprofit CDFI's.

RECOMMENDATIONS

REGULATORS SHOULD

- **Place the highest emphasis on activities that benefit lower-income workers and neighborhoods** with quality jobs. Despite removing the word "currently" in the Q&A, a bank could still get credit for supporting low-wage jobs. **Regulators can also provide tools** to more readily determine if a particular deal meets the "size and purpose" test under the CRA.

- **Promote high quality jobs in community development lending and investments** by looking more closely at the quality of the business environment and the jobs created, preserved, or improved to gauge their impact. This includes wages, workforce development, benefits, hiring strategies, and supports for small businesses that create quality jobs. Not all CRA activities that promote economic development will meet the strict "size and purpose" tests, but could have a meaningful impact on the types of jobs created and preserved.

- **Uphold the original spirit of the law by requiring benefit to low- and moderate-income people and communities**. Two major areas of the "purpose test" – investments in intermediaries supporting new businesses and additional technical supports – do not require any benefit to LMI people or geographies. Though the existing elements of the purpose test are also important, activities that do not benefit underserved populations – or worse, lead to their displacement – should *not* receive CRA credit.
- **Raise the need for quality jobs in the performance context; include economic development organizations in the Community Contacts; benchmark the percentage of loans, investments, and services to each category of community development; and highlight best practices in the PE and CRA literature.** One of the best ways for banks and the community to understand what qualifies for CRA credit and what is important to regulators is through the bank's CRA exams as summarized in the Performance Evaluation (PEs).
- **Give extra CRA credit for *equitable* economic development activities.** As indicated in the new CRA guidance, activities that give low- to moderate-income individuals and other underserved communities access to quality jobs and a path to the middle class should be considered responsive and possibly innovative.
- **Provide more scrutiny of loans that automatically get CRA credit for economic development** to ensure they are truly creating quality jobs and economic opportunities to the people and communities that need them most, focusing more on the people and less on the place.

BANKS SHOULD

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

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

  (2) Additional dollars for small business loans overall, and in LMI tracts, with particular emphasis on loans to women- and minority-owned small businesses and immigrant entrepreneurs as well as affordable smaller dollar loans to micro-enterprises.
- **Ensure that economic development loans, investments, and services have an intentional strategy to create, preserve, and improve quality permanent jobs.**
- **Provide direct financing as well as capital and expertise to public-private partnerships that lead to the development of affordable manufacturing space**. This may happen through existing

or new financing mechanisms. Banks should make an extra effort to provide financing to nonprofit developers of industrial space where jobs are more likely to pay wages that can benefit low- to moderate-income community members.

- **Increase traditional small business lending in low- to moderate-income census tracts and to smallest businesses.** This would include increasing access to affordable loans and lines of credit; considering alternate forms of credit; providing flexibility for long-standing businesses that hit upon hard times; creating products that match sector needs; hiring loan staff that can do intentional outreach in low- to moderate-income and immigrant communities; and implementing a **"second look" program** that refers declined borrowers to alternative lenders who can provide loans and technical assistance and help businesses enter the banking mainstream in the future.
- **Provide both capital and philanthropic support to nontraditional lenders, CDCs, and Local Development Corporations that support these businesses to supplement traditional bank lending.** These institutions incorporate "high-touch" models that provide extensive support to borrowers; they also provide one-on-one support training, workforce development, and resources to help small businesses operate more efficiently and effectively. **Banks can also provide in-kind support, such as mentoring, training, financial literacy, and skills-building for small businesses and nonprofits serving them.**
- **Offer credit-building products and provide support for nonprofits that provide financial education and help small businesses prepare to access credit** to help more businesses access financing.

PHILANTHROPY / CRA-ELIGIBLE GRANTS

BACKGROUND

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

One way that financial institutions can receive CRA credit as well as support the good work of these nonprofit community development organizations is through CRA-eligible grants. These grants are technically considered "investments" under the CRA, and they are evaluated under the investment test. Because of both (1) their relative small size to other larger investments, such as tax credits and bond purchases, and (2) their significant importance to low- and moderate-income communities that the CRA seeks to support, we analyze grants separately in this report.

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

PRINCIPLES

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

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

Nonprofits respond to urgent community needs within their communities and citywide consistently. They rely on stable funding in good times and bad to carry out their missions. Given the persistent threats of major cuts to funding – many likely to become a reality – coupled with changes in the tax law that could reduce financial incentives for people to donate, banks should make an effort to sustain or increase grant making each year, regardless of deposits or profits. CRA loans and investments can go to for-profit or nonprofit entities and are paid back to the bank with interest. Grants are unique in that they only go to nonprofits and they are not paid back. Grants demonstrate a commitment to the community development movement by providing capital to the organizations who are working on addressing the affordable housing and economic development needs of the low-and moderate-income populations that the CRA was made to support. While grant dollars are lower than most other CRA reinvestment, the impact of those dollars can be huge.

The banks that take this most seriously dedicate **closer to 0.03% of local deposits towards grants**. For a bank like Capital One, for example, with over $26 billion in deposits, their .038% of deposits translates into over $9.8 million in grants, but for M&T, with $3.7 billion in local deposits, the same percentage equals $1.42 million. If all 18 banks that reported their grants in 2017 collectively were to make 0.03% of their deposits in grants, that would result in $288 million in grants, well over the $72 million reported in 2017.

- **Neighborhood-based organizations play a critical role in strengthening communities and meeting local needs.**

Neighborhood-based organizations are locally rooted, working on the ground to empower their communities and improve their neighborhoods. Giving directly to neighborhood-based organizations demonstrates an intentional commitment to New York City neighborhoods. Grants to these organizations would support the wide range of community development activities, including but not limited to financial literacy, home purchase counseling, foreclosure prevention, workforce development, housing development, small business loans and supports, and community organizing.

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

- **Effective community development philanthropy requires a multi-pronged approach.**

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

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

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

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

TRENDS & FINDINGS

- **CRA-eligible grants decreased in volume in 2017, but dollars increased slightly. The average grant size increased once again. The trend of consolidation – larger grants to fewer organizations – continues, but not at the same scale as in prior years.**

TABLE 37: CRA-ELIGIBLE GRANTS 2014-15, 2015-16, 2016-17												
	2014	2015	Cnt	2014-15	2015	2016	Cnt	2015-16	2016	2017	Cnt	2016-17
Grants NYC (#)	1495	1575	18	5.3%	1760	1836	19	4.3%	1800	1656	18	-8.0%
Grants NYC ($ in millions)	$66.1	$65.0	19	-1.7%	$65.0	$70.4	19	8.4%	$70.1	$72.0	18	2.7%
Avg. grant per bank ($'s)	$29,945	$35,569	18	19%	$34,993	$39,081	19	12%	$40,676	$42,497	18	4.5%
Avg. grant size overall (total grants/total #) ($'s)	$39,617	$38,370	19	-3.1%	$36,924	$38,372	19	3.9%	$38,933	$43,482	18	12%

CRA-eligible grant dollars increased 2.7% in 2017, less than the 8% increase in 2016, and following a slight decline in 2015. The number of grants declined 8%. The average grant sizes over the years match the larger trend we have been seeing, wherein many banks are giving larger grants to fewer organizations. The average grant size per bank went from $29,954 in 2014 up to $42,497 (averaging the average grant size for each bank). But year over year, the increase is less in 2017 than in prior years, indicating that the trend is leveling off. Looking at the total average (total grants divided by total grant dollars), the average grant increased less, from $39,617 to $43,482.

Most banks continue to dedicate less than one tenth of one percent of their local deposits to grants. **Banks that take CRA most seriously dedicate closer to 0.025%-0.033% of local deposits to CRA-eligible philanthropy**, including Capital One and M&T Bank. Citibank comes close, once again, at .022% of deposits, up from .018% in 2016. The drop in 2016, was mainly due to a large increase in deposits, so the increase in 2017 is positive, indicating a larger grant budget. Similarly, New York Community Bank had been close in the past, but also had a jump in deposits in 2016, bringing them down to .013% of deposits that year. They increased to .015% in 2017. We are pleased to see the steady increase at Santander, from $703,500 (.007%) in 2015 to $1.5 million (.013%) in 2016 and up to $1.96 million (.020%) in 2017.After a sharp drop, TD Bank is up again in 2017 to $3 million, which is 0.015% of deposits. This is due partly to their signature grantmaking program that provides $125,000 to four neighborhood-based organizations. That is a cyclical grant.

On the other end of the spectrum, Bank of America and Chase continue to dedicate less than 0.01% of deposits. We recognize that Chase's deposits are so much larger than any other bank (for example, $487 billion, versus Citibank's $91 billion and Bank of America's $66 billion) and thus are not likely to come close to the same benchmark. However, their grant-making dropped in 2017 to $7.9 million, down from $9.9 million in 2016, and still below the $10 million in 2014. **Whereas Bank of America's grant-making budget has been low for the past five years, and largely declining, from a high of $3.8 million in 2011 down to $2.58 million in 2017. For a bank of this size and presence in the city, that is really unacceptable.**

At most of the smaller banks, the percentages are much lower, well below 0.01%. Valley National's grant-making continues to increase as they implement their CRA plan. They reached $240,350 in 2017 and $236,250 in 2016, up from $66,000 in 2015 and $50,000 in 2014. Apple Bank reported a sharp increase in the number of grants, and a smaller increase in dollars in 2016 and a slight increase in both in 2017. New York Community bank decreased the number of grants, while the dollars granted increased 23%.

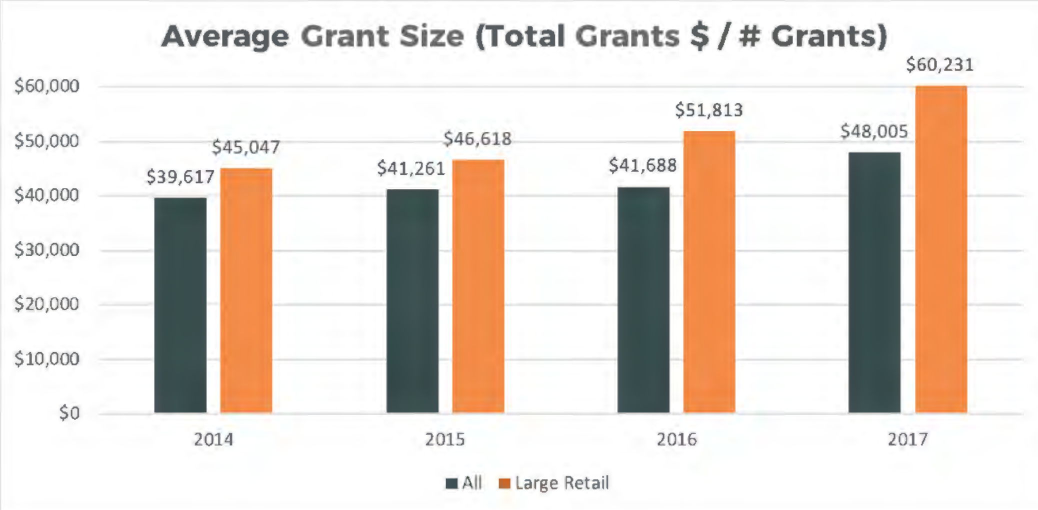
Among the wholesale banks, Deutsche Bank, once again made the highest percentage of deposits to grants, reaching 0.020% in 2017, up from 0.016% in 2016. This year, Goldman Sachs surpassed Morgan Stanley in the percentage to deposits, as their grant-making increased to $11.54 million (0.013%), whereas Morgan Stanley's declined from $5.2 million to $4.3 million (0.009%). Morgan Stanley's grants have been steadily declining over the years, from over $7 million 2011 through 2013. $4.3 million is the lowest level since then. Absent an overarching community development focus in grant making, Goldman Sachs' level of CRA-eligible grants fluctuates widely from year to year. However, we must note that Goldman Sachs brought back their community development grant, which is more targeted, well-respected, and beneficial to the community development movement.

Table 38: Highest percentages of Grants to Local Deposits ($'s in millions)

	2016				2017				$ Change 2016-17	
Bank	NYC Dep (b)	Grants (#)	Grants ($)	% to Dep	NYC Dep (b)	Grants (#)	Grants ($)	% to Dep	Grants (#)	Grants ($)
Largest										
M&T	$4.1	247	$1.60	0.039%	$3.7	203	$1.42	0.038%	-18%	-11%
Capital One	$27	224	$11	0.039%	$26	190	$9.85	0.038%	-15%	-6%
Citibank	$91	116	$16	0.018%	$92	102	$20	0.022%	-12%	21%
Santander	$12	48	$1.49	0.013%	$10	63	$1.96	0.020%	31%	31%
TD Bank	$19	127	$1.86	0.010%	$20	104	$3.06	0.015%	-18%	65%
Bank of America	$65	45	$2.90	0.004%	$65	50	$2.58	0.004%	11%	-11%
Chase	$489	54	$9.90	0.002%	$530	61	$7.90	0.001%	13%	-20%
Smaller										
NYCB	$10	212	$1.31	0.013%	$10	186	$1.61	0.015%	-12%	23%
Valley National	$2.3	39	$0.24	0.010%	$2.4	43	$0.24	0.010%	10%	2%
Dime	$2.9	11	$0.23	0.008%	$3.5	22	$0.29	0.008%	100%	28%
BankUnited	$2.0	32	$0.28	0.014%	$4.3	31	$0.29	0.007%	-3%	5%
Flushing	$1.5	11.8	$0.09	0.006%	$1.7	11.8	$0.09	0.005%	0%	0%
Sterling	$4.5	39	$0.39	0.009%	$5.8	18	$0.23	0.004%	-54%	-43%
Ridgewood	$2.8	98	$0.09	0.003%	$2.9	94	$0.09	0.003%	-4%	7%
Apple Bank	$7.2	115	$0.15	0.002%	$7.5	121	$0.15	0.002%	5%	4%
Popular Community	$3.7	36	$0.37	0.010%	$4.2					
Wholesale										
Deutsche Bank	$41	108	$6.78	0.016%	$33	104	$6.56	0.020%	-4%	-3%
Goldman Sachs	$114	127	$11	0.009%	$92	96	$12	0.013%	-24%	8%
Morgan Stanley	$39	146	$5.22	0.013%	$50	156	$4.34	0.009%	7%	-17%

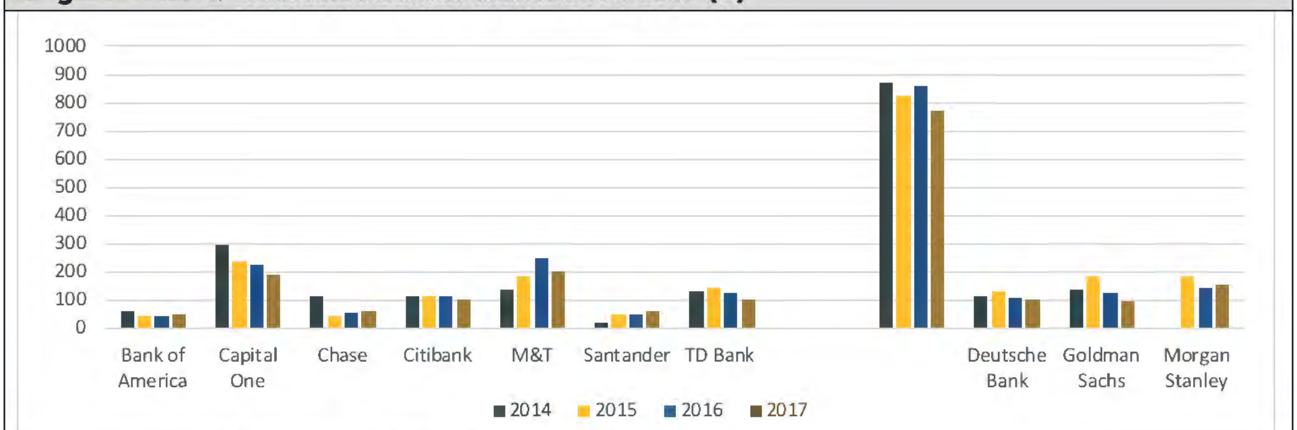
ANHD members have noted over the past few years that banks had been changing their grant making strategies, and that fewer grants were going to larger organizations. These trends continue to be reflected in the data, but it has leveled out some since 2014 and 2015. The number of grants increased in 2016 by 4.3% and declined 8% in 2017, but the dollar amount increased more (up 8.4% in 2016 and 2.7% in 2017).

Looking at total grant dollars divided by the total number of grants, the average grant size increased modestly from $38,933 to $43,482. Among banks for which we have data in all four years, the average of the average grant size per bank went from $29,945 to $43,362. At the largest retail banks, the jump was much sharper. We have data all four years from Bank of America, Capital One, Chase, Citibank, M&T, Santander, and TD Bank, where it went from $47,362 in 2014 to $70,638. The biggest increase was from 2014 to 2015, where it went from $47,362 to $62,253. But when taking the total dollars over total number of grants, the jump was largest from 2016 to 2017, from $51,813 to $60,231.

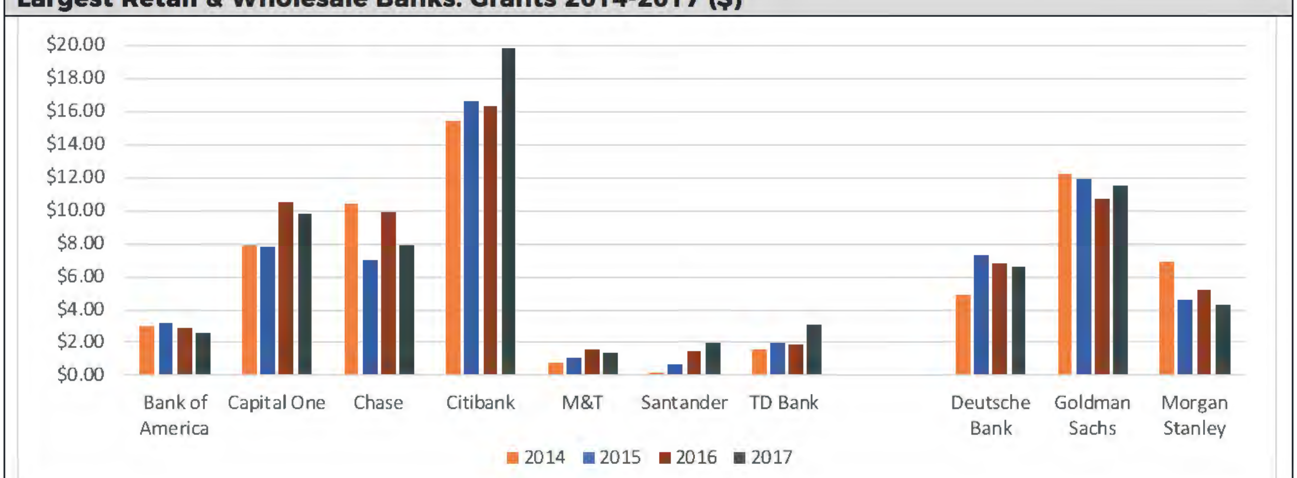


We see this within individual banks as well. While the dollar amount stayed the same or increased in many of these large banks, the number of grants from the biggest donors – Bank of America, Capital One, Chase, and Citibank – decreased in 2014 and 2015, some into 2016 and 2017. The number of grants at Capital One declined each year from 2014–17, while dollars increased through 2016, and declined slightly in 2017. Chase's grants increased slightly in 2016 and 2017 but are still well below 2013 and 2014 levels. The dollars granted increased in 2016 but went down again in 2017 to $7.9 million. Their average grant size was nearly $130,000, second only to Citibank at $194,124. Bank of America's grant budget had been static at around $3 million; the number

Largest Retail & Wholesale Banks: Grants 2014-2017 (#)



Largest Retail & Wholesale Banks: Grants 2014-2017 ($)



of grants dropped sharply in 2015 from over 60 to 45 and stayed there in 2016. In 2017, they made 50 grants, but the dollars dropped one again, to $2.6 million. We saw this same shift earlier at Citibank, but they have been fairly steady each year from 2014 through 2016. The number of grants declined again in 2017 while dollars went up.

Grant making patterns are not as clear among the smaller banks; they tend to fluctuate more in both number and dollar of grants, as they typically do not have the same community development structure as we see at the larger banks. In general, changes at these banks are due more to who applies in any given year and existing relationships, rather than a change in strategy. With that said, Valley National's grants have been increasing steadily following the CRA plan and their efforts to build up their community development team in a more intentional way. BankUnited, too, has a dedicated community development team that supports community development grant making. Dime has been investing in neighborhood-based organizations more in recent years too.

TABLE 39: CRA GRANTS TO NEIGHBORHOOD-BASED ORGANIZATIONS (NBO)

	2014	2015	# banks	% chg	2015	2016	# banks	% chg	2016	2017	# banks	% chg
NYC Grants (#)	1495	1575	18	5.3%	1760	1836	19	4.3%	1755	1606	17	-8.5%
NYC Grants ($)	$66.1	$65	19	-1.7%	$65	$70.4	19	8.4%	$67.2	$69.4	17	3.3%
NBO Grants (#)	585	631	16	7.9%	631	777	16	23%	734	631	14	-14%
NBO Grants ($)	$10.2	$11.4	16	11%	$11.4	$11.8	16	4.1%	$10.7	$15.3	14	43%
Average % to NBOs (#)	43%	45%	16	4.8%	45%	47%	16	4.2%	46%	46%	14	1.1%
Average % to NBOs ($)	38%	42%	16	11%	42%	40%	16	-5.3%	39%	40%	14	1.7%
Median % to NBOs (#)	36%	43%	16	18%	43%	47%	16	10%	40%	40%	14	-1.9%
Median % to NBOs ($)	33%	33%	16	-0.8%	33%	35%	16	6.4%	32%	32%	14	0.2%

- **Grant making to neighborhood-based organizations decreased in volume, but increased in dollars granted.**

Among the banks that provided this data, the number of grants declined 43%, but the dollars granted increased 43%. Much of that was driven by a large grant Goldman Sachs made to a Harlem-based organization. Excluding Goldman Sachs, the increase in dollars was more modest from 2016 to 2017, but still significant, up 13%.

Citibank's grants to neighborhood-based organizations had been increasing in recent years; in 2017, the number declined by just two grants, while the dollars increased greatly (from 40 at $3.1 million to 38 at $4.6 million). M&T Bank and Santander had also been increasing in prior years; M&T's declined in 2017, while Santander increased the number of grants by 10 and the dollars remained the same. Santander has been picking up their CRA activity overall in the past few years and we are pleased that along with the increase, roughly half of their grants continue to go to neighborhood-based organizations by number of grants; the percentage by dollars is lower. Chase does not report on its grant making to neighborhood-based organizations, but anecdotally, we hear from local groups that it has been harder to get grants from the bank as more decision are made centrally. While Capital One is known for working closely with CDCs and other local organizations, through grants, loans, and investments, we note that just 15% to 17% of their grants have gone to NBOs in the past three years, and just 7% - 9% by dollar amount.

The smaller banks tend to dedicate higher percentages of their grants to local organizations. Only NYCB, BankUnited, and Sterling were below 50% by volume and BankUnited was close at 42%. Dime surpassed 50% for the first time in 2016, and that rose to 73% in 2017, demonstrating a change to give grant dollars more intentionally to local neighborhood-based community development organizations. Grants to NBOs declined at Sterling, from 40% in 2015 down to 22% in 2017. This is disappointing given Astoria's history of supporting local organizations, although that had been declining as well over the years. Valley National Bank's grant making continues to increase, as does its percentage of grants to NBOs, reaching 25 grants (58%) and nearly $88,000 (37%), up from 12 / $66,500 the year before.

Among the wholesale banks, only Deutsche Bank and Goldman Sachs report this data. Deutsche Bank continues to be recognized for their commitment to local organizations, but still only 25% of their grants were to neighborhood-based organizations, up from 20% in 2016 and the same as the 25% in 2015. At Goldman Sachs, just 21% did in 2017 and 44% by volume, but the volume was driven by that large grant already mentioned.

TABLE 40: HIGHEST PERCENTAGES OF GRANTS TO NEIGHBORHOOD-BASED ORGANIZATIONS (NBO) ($ MILLIONS)												
	2016						**2017**					
	Total (#)	**Total ($)**	**... to NBO (#)**	**... to NBO ($)**	**% NBO (#)**	**% NBO ($)**	**Total (#)**	**Total ($)**	**... to NBO (#)**	**... to NBO ($)**	**% NBO (#)**	**% NBO ($)**
Largest												
M&T Bank	247	$1.6	168	$0.9	68%	59%	203	$1.4	143	$0.8	70%	58%
Santander	48	$1.5	21	$0.5	44%	36%	63	$2.0	31	$0.5	49%	28%
Citibank	116	$16.3	40	$3.1	34%	19%	102	$19.8	38	$4.6	37%	23%
TD Bank	127	$1.9	47	$0.5	37%	26%	104	$3.1	33	$.70	32%	23%
Capital One	224	$10.5	33	$0.7	15%	7%	190	$9.8	30	$0.7	16%	7%
Bank of America	45	$2.9	24	$1.0	53%	34%	45	$2.9				
Smaller												
Apple Bank	115	$0.1	112	$0.1	97%	89%	121	$0.15	118	$0.1	98%	90%
Dime	11	$0.2	6	$0.1	55%	57%	22	$0.29	16	$0.2	73%	82%
Ridgewood	98	$0.1	64	$0.0	65%	53%	94	$0.09	65	$0.1	69%	61%
Valley National	39	$0.2	12	$0.1	31%	28%	43	$0.24	25	$0.1	58%	37%
BankUnited	32	$0.3	16	$0.1	50%	36%	31	$0.29	13	$0.1	42%	37%
NYCB	212	$1.3	161	$0.9	76%	70%	186	$1.6	69	$0.3	37%	17%
Sterling	39	$0.4	14	$0.1	36%	28%	18	$0.2	4	$0.05	22%	23%
Popular Community	36	$0.4	19	$0.2	53%	51%						
Wholesale												
Deutsche Bank	108	$6.8	18	$1.5	17%	22%	104	$6.6	26	$1.8	25%	28%
Goldman Sachs	127	$10.7	22	$1.9	17%	18%	96	$11.5	20	$5.13	21%	44%

- **More banks are adopting best practices for community development grant making, but smaller nonprofit organizations still struggle to access grants.**

A few banks stand out as collaborating with the nonprofit sector in identifying priorities and creating programs. Citibank has long been a leader in this area. They consistently fund affordable housing and organizations working with immigrant populations, and in more recent years, they have been expanding to encompass more around *equitable* economic development. For example, in 2017, Citibank launched the new Urban Manufacturing Accelerator Fund (UMAF) program to help nonprofit developers access the New York City Economic Development Corporation's Industrial Developer Fund (IDF). The IDF was developed to provide capital to acquire and develop urban manufacturing space that will then be rented out at below-market rates to manufacturing businesses. UMAF helps nonprofit developers prepare their infrastructure and applications to increase their chances of successfully utilizing these funds.

Capital One and M&T Bank are also well-respected for their support of the community development movement, including supporting community organizing, an area that is not as well funded as other areas. New York Community Bank's new Community Cares program also supports leadership development of tenant leaders. That program was announced in 2017 and implemented in 2018. Likewise, Deutsche Bank's Working Capital program is a long-standing pillar of the community development movement, providing grants and recoverable loans for pre-development costs, which can be particularly steep in a high-cost market like New York City. That program has historically focused on affordable housing. In recent years, they expanded the program to include economic development projects as well. Deutsche Bank continues its Anchoring Achievement program to support the Mexican American community in New York City, while also supporting CDFIs that lend to small businesses. Multiple banks, in fact, support CDFIs with grants, sometimes to supplement capital CDFIs can use to lend out to small businesses or prospective homeowners.

BankUnited is committed to general operating support grants, which are always needed. TD Bank, too, continued its signature program *Housing for Everyone* grant competition with $125,000 grants to four organizations in New York City (25 total throughout their footprint). They also support a range of local, regional, and national organizations through other programs, including the micro-lender Acción, LISC, and local CDCs.

Many banks now have an official RFP and/or clear guidelines on how to apply for a grant from the bank, and we commend this practice. Citibank and Capital One, remain invitation only for most grants. Citibank has instituted an RFP for some of their grant making programs. We recognize that they both do extensive outreach to identify potential grantees and encourage them to consider additional ways to open grantmaking. In 2017, after much backlash for ending their community development grant-making program, Goldman Sachs reintroduced it with an RFP process. While this has always been a small portion of their grant-making, it is an impactful program.

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

When funders come together with the nonprofit community development sector, they have the opportunity to provide larger grants in strategic areas.

A few other large banks have specific focus areas that are strategic and intentional. Bank of America, for example, has specific focus areas for their grant making, including economic development and affordable housing. They are also recognized for their long-standing "Neighborhood Builders" program, which provides a large grant of $200,000, coupled with in-depth professional development and support for organizational leaders. BNY Mellon's Powering Potential program has consistently supported workforce development for underserved populations.

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

Capital. Santander joined in 2017, but we were disappointed to learn that Chase pulled out, as did Goldman Sachs prior to that. Eight banks, including six in this study, are among the institutional funders that support the Joint Operating Entity (JOE), which leverages the collective assets and expertise of the nonprofit Community Development Corporation (CDC) sector to build and manage affordable housing at scale, without requiring a joint venture with a for-profit entity[68]. Currently the collective owns and manages over 1,000 units of affordable housing. As always, these are just a few examples of quality philanthropy we commend.

Nonprofit organizations, especially smaller ones, rely upon grants in good times and in bad. With the cuts to federal funding, and increased pressure and attacks on low-income, immigrant communities and people of color, grants are critical to help sustain these groups. This includes grants for general operating support, affordable housing, financial education, and equitable economic development. We encourage all banks to adopt the best practices outlined here in order to maximize the impact of their grant making programs.

RECOMMENDATIONS

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

- We recommend that regulators benchmark bank grants on CRA exams under the investment test. We appreciate that some regulators are doing that already and recommend they continue to do so, and to do so consistently per year, to highlight their impact on low and moderate-income communities.
- Recognize banks that have impactful grant-making programs over ones that do not. This should be a factor in the investment test rating.

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

- **Sustain or increase grant making each year.** Nonprofits rely upon grants in good times and bad, and thus banks should make an effort to sustain or increase grant making each year, regardless of deposits or profits. Most banks that take this most seriously dedicate **closer to 0.03% of local deposits towards grants**.
- **Dedicate at least 50% of grants towards neighborhood-based organizations.** Grants to neighborhood-based organizations that provide general operating support and support affordable housing, equitable economic development, and financial literacy are particularly impactful; however, as described next, most important is to be connected to the local organizations so that the grant making reflects local needs.
- **Adopt best practices for effective community development grant making.** Community development grant making is about the dollars invested, and the intentionality behind those dollars. Grant dollars are much smaller than other CRA-qualified investments and loans, but their impact can be profound when deployed in a thoughtful manner. This means:
    - **Work closely with the nonprofit sector.** As with all areas of a bank's CRA activities, banks should be in regular communication with the nonprofit sector to understand the

68 http://www.joenyc.org/who-we-are.html

greatest needs and latest trends. This should inform any new grant making strategies and programs and ensure that any changes are well understood and create the minimum negative impact on current or future grantees.

- **Be accessible through a transparent process.** Current and potential grantees should readily understand how to apply for a grant from any bank foundation. The guidelines, process, and timeline should be clearly laid out. RFP's are effective means to broadcast and collect applications. Staff should be accessible to potential and current grantees throughout the process.
- **Be highly intentional, with a specific theory and goal underlying the grant making.** Banks cannot meet all community development needs through their loans and investments or their grants. In order to maximize impact, they should build upon their relationships with the nonprofit sector, coupled with the bank's own expertise and business, to develop programs that are strategic and impactful.

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

APPENDIX A

FULL METHODOLOGY

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

The report includes both year-to-year comparisons and analysis of the current year's data. In order to make fair comparisons, only institutions that provided information in both years (2014-15) were included in trending analysis year to year. For this reason, there is some data that banks provided for 2014 or 2015 that we could not use for year-over-year analysis since the same information was not provided in the previous year. Appendix A details all information that we received from each lender. HSBC and Wells Fargo failed to provide data once again, so we relied solely upon public data for these banks (HMDA, CRA small business, branching and bank products). Popular Community stopped replying as well in 2018. Flushing Bank has not yet responded to our survey. In 2012-2014 and 2016-2018, we gathered data from Flushing Bank's FDIC CRA exams, making every effort to match the data to our categories and making some estimation for New York City. The 2018 CRA exam excludes 2015 data, so for data not publicly available, we extrapolated or left it out for that year. Sterling Bank acquired Astoria Bank in 2017 – for this report, we report only on Sterling, combining their data in 2017 and prior years.

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

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

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

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

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

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

OVERALL REINVESTMENT VOLUME INDEX AND QUALITY SCORE

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

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

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

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

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

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

ADDITIONAL FACTORS

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

Multifamily housing: physically and financially distressed housing

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

The BIP database contains information about each building, including violations, liens, and debt and computes a BIP score. A BIP score over 800 indicates the building is very likely to be in a state of financial and/or physical distress. We used the most recent BIP database from December 2018 for an analysis of bank portfolios.

Within BIP, in addition to BIP scores, we also look at other factors:

- B& C violations: We believe a building is very likely to be physically distressed if the ratio of all open B and C violations to total units is greater than or equal to “4”.
- Buildings on the Certificate of No Harassment pilot list, which is published by HPD
- Rent-stabilized units come from tax bills. Stabilized unit numbers are approximate and based on property tax bills from the NYC Department of Finance. Missing or fluctuating numbers may be due to missing/incorrect registration by the owner or inconsistencies in property tax documentation. NYS Homes and Community Renewal maintains the most accurate information on rent stabilization, which is not available to the public.

Racial disparities in home purchase lending

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

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

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

- Latino: Ethnicity is "Hispanic or Latino."

Checking accounts/Access to banking score

- Overdraft policies: came mostly from data available online and in print materials.
- Checking account fees and requirements were retrieved from individual bank websites, supplemented with calls or visits to the bank when the data was unclear. Standards are based on local needs and the BankOn national account standards.

APPENDIX B

SUMMARY OF RESULTS FOR ALL 24 BANKS

	Total for 2017	# Responses 2017	# Banks for which we have data in both 2016-17
Staffing			
Community Development Staff Serving NY	422	19	19
Community Development Staff Located in NYC	285	19	19
Staff supporting CRA Activity	500	19	19
CRA Staff Located in NYC	326	19	19
Average % Community Development Staffing located in NYC	82%	19	19
Branches & Deposits (billions)			
Tier 1 Capital (BHC)	$837	24	24
Total Deposits (National BHC)	$5772	24	24
Total Deposits in NYC (b)	**$1233**	**24**	**24**
Total NYC Branches	1421	20	20
Low-Income (LI) Branches	161	20	20
Mod. Income (MI) Branches	273	20	20
Average % branches in low- and moderate-income neighborhoods	29%	20	20
Average % branches in LI Census Tracts	10%	20	20
Multifamily (MF) Lending (m)			
MF Lending (# Loans)	2599	20	20
MF Lending (in $)	$13182	20	20
MF Lending in LMI tracts (#)	1545	20	20
MF Lending in LMI tracts ($)	$6677	20	20
Average % of MF lending in LMI neighborhoods (#)	55%	21	21
Average % of MF lending in LMI neighborhoods ($)	50%	21	21
MF CD Lending (#)	825	18	18
MF CD Lending ($)	$3388	18	18
Average % of MF Community Development Lending (#)	34%	18	18
Average % of MF Community Development Lending ($)	31%	18	18
Community Development Lending (millions)			
Community Development Lending (# Loans)	383	19	19
Community Development Lending (in $)	$3083	20	20

Average Community Development Lending as % of Deposits	0.97%	20	20
CD Loans to Nonprofits (#)	169	17	16
CD Loans to Nonprofits ($)	$891	18	17
Average % Community Development Loans to NFPs (#)	47%	16	11
Average % Community Development Loans to NFPs ($)	35%	17	11
CD Loans to CDC's (#)	20	15	14
CD Loans to CDC's ($)	$70	16	15
Average % Community Development Loans to CDCs (#)	7.5%	14	10
Average % Community Development Loans to CDCs ($)	3.7%	15	10
Affordable Housing Loans (#)	123	18	18
Affordable Housing Loans ($)	$1741	19	19
Affordable Housing to NFPs (#)	52	17	17
Affordable Housing to NFPs ($)	$482	18	18
Economic Development Loans (#)	107	18	18
Economic Development Loans ($)	$628	18	18
Small Business Lending (m)			
Small Loans to Businesses (#)	111617	20	20
Small Loans to Businesses ($)	$3818	20	20
... in LMI tracts (#)	37600	20	20
... in LMI tracts ($)	$1048	20	20
Average % Small Loans to Businesses LMI neighborhoods (#)	34%	18	18
Average % Small Loans to Businesses LMI neighborhoods ($)	32%	18	18
Small Loans to Small Businesses (Revenue <$1M) (#)	64766	20	20
Small Loans to Small Businesses (Revenue <$1M) ($)	$1466	20	20
... in LMI tracts (#)	23138	20	20
... in LMI tracts ($)	$477	20	20
Average % Small Loans to Small Businesses LMI neighborhoods (#)	36%	18	18
Average % Small Loans to Small Businesses LMI neighborhoods ($)	36%	18	18
CRA-Eligible Investments			
CRA Qualified Investments (#)	186	19	18
CRA Qualified Investments ($)	$2094	20	18
Average CRA-qualified investments as % of Deposits	0.37%	20	18
CRA Qualified Investments to NFPs (#)	21	16	17
CRA Qualified Investments to NFPs ($)	$147	17	17
Average % CRA-qualified investments with nonprofit sponsors (#)	15%	16	17
Average % CRA-qualified investments with nonprofit sponsors ($)	13%	17	17
LIHTC (#)	41	17	17
LIHTC ($)	$743	17	17
NMTC (#)	3	15	15

NMTC ($)	$17	15	15
CRA Qualified Investments for Economic Development (#)	8	16	15
CRA Qualified Investments for Economic Development ($)	$13	16	13
1-4 Family Home Mortgage Lending (m)			
Home Purchase Loans (#)	14157	20	20
Home Purchase Loans ($)	$9710	20	20
Home Purchase Loans to LMI borrowers (#)	1032	20	20
Home Purchase Loans to LMI borrowers ($)	$176	20	20
Average % of Lending to low- and moderate-income Borrowers (#)	12%	20	20
Average % of Lending to low- and moderate-income Borrowers ($)	3.4%	20	20
Refinance Loans (#)	3691	20	20
Refinance Loans ($)	$1976	20	20
Refinance to LMI borrowers (#)	329	20	20
Refinance to LMI borrowers ($)	$50	20	20
Average % of Lending to low- and moderate-income Borrowers (#)	9.3%	16	20
Average % of Lending to low- and moderate-income Borrowers ($)	3.8%	16	20
Philanthropy (millions)			
Total Philanthropic Giving (National) (#)	9173	15	15
Total Philanthropic Giving (National) ($)	$369	15	15
CRA Eligible Grants in NYC (#)	1656	18	18
CRA Eligible Grants in NYC ($)	$72	18	18
Average % of Deposits Dedicated to Philanthropy (NYC)	0.013%	18	18
Grants to Neighborhood Based Organizations (#)	631	14	14
Grants to Neighborhood Based Organizations ($)	$15	14	14
Average % grants to Neighborhood Based Organizations (#)	46%	14	14
Average % grants to Neighborhood Based Organizations ($)	40%	14	14
Reinvestment activity (millions)			
Total Reinvestment (includes all banks, whether they reported on some or all categories)	$9826.25		
Average % of Reinvestment to Deposits	2.97%		
Overall Index (Total Reinvestment divided by total deposits)	1.29%		

APPENDIX C

BANKS IN THIS STUDY: REGULATORY AGENCIES AND MOST RECENTLY PUBLISHED CRA RATING

Largest Banks (> $50 billion assets as of June 30, 2017)		
	CRA Regulator	Last Published CRA Exam/Rating
Bank of America	OCC	2011: Satisfactory
Capital One	OCC	2017: Outstanding (Capital One Bank) 2017: Outstanding (Capital One Bank USA: credit card bank)
Chase	OCC	2014: Outstanding (Chase Bank USA: Credit card bank) 2013: Satisfactory (JPMorgan Chase)
Citibank	OCC	2011: Satisfactory
HSBC	OCC	2014: Satisfactory
M&T Bank	Federal Reserve Bank of New York and DFS	DFS: 2013: Outstanding
Santander	OCC	2017: Satisfactory
TD Bank	OCC	2013: Satisfactory
Wells Fargo	OCC	2012: Needs to Improve

Smaller Banks (< $50 billion assets)		
	CRA Regulator	Last Published CRA Exam/Rating
Apple	FDIC and DFS	FDIC: 2017: Satisfactory DFS: 2016: Satisfactory
BankUnited	OCC	2015: Satisfactory
Dime	FDIC and DFS	FDIC: 2018: Satisfactory DFS: 2013: Satisfactory
Emigrant	FDIC and DFS	FDIC: 2017: Satisfactory DFS: None since 2012
Flushing	FDIC and DFS	FDIC: 2019: Outstanding DFS: 2014: Satisfactory
NYCB (New York Community & Commercial Banks)	FDIC and DFS	FDIC: 2018: Satisfactory DFS: 2013: Satisfactory (NY Commercial) & Outstanding (NY Community)

Popular Community	Federal Reserve Bank of New York and DFS	Federal Reserve: 2015: Satisfactory DFS: 2014: Satisfactory
Ridgewood	FDIC and DFS	FDIC: 2017: Satisfactory DFS: 2016: Satisfactory
Signature	FDIC and DFS	FDIC: 2016: Satisfactory DFS: 2014: Satisfactory
Valley National	OCC	2016: Satisfactory
Sterling	OCC	2017: Satisfactory (Astoria: 2012: Satisfactory)

Wholesale Banks		
	CRA Regulator	**Last Published CRA Exam/Rating**
BNY Mellon	Federal Reserve Bank of New York and DFS	Federal Reserve: 2013: Satisfactory DFS: 2013: Satisfactory
Deutsche Bank	Federal Reserve Bank of New York and DFS	Federal Reserve: 2018: Outstanding DFS: 2014: Outstanding
Goldman Sachs	Federal Reserve Bank of New York and DFS	Federal Reserve: 2015: Outstanding DFS: 2014: Outstanding
Morgan Stanley	OCC	2017: Outstanding (Morgan Stanley, NA: wholesale bank) 2014: Outstanding (Morgan Stanley Private Bank)

APPENDIX D

SAMPLE ANHD ANNUAL REINVESTMENT SURVEY

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

- **Bank Name / Address:** ____________________

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

Deposits: Tier 1 Capital; National (Domestic) Deposits; Dollar amount of deposits in New York City (as of June 30, 2017)

1-4 **Family Lending** in calendar year 2017**:** Home Purchase & Refinance Loans overall and to LMI borrowers (# / $)

Small Business Lending in calendar year 2017

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

Please provide the following data:

Branching: Branching (as of June 30, 2017)

- Total Branches in NYC
- Branches in NYC in low-income census tracts
- Branches in NYC in moderate -income census tracts

Please list any government programs (City, State, and or Federal) BANK participated in in 2017 to increase access to unbanked/under-banked New Yorkers.

What internal programs, products and/or practices did BANK offer in 2017 that are accessible to and/or targeted to immigrant and low- and moderate-income New Yorkers?

What ID's does BANK accept as primary identification?

Acceptance of IDNYC (NYC Municipal ID)

- Accept as Primary ID? Yes / No (in 2017 and 2018)
- Accept as Secondary ID? Yes / No (in 2017 and 2018)

Community Development and CRA-related Staffing

We are requesting the following information concerning Bank's staffing as of December 31, 2017:

- Number of community development lending staff serving the New York City market
- Number of community development lending staff located in the city
- Number of staff supporting CRA-related activities in NYC
- Number of staff who support CRA-related activities that are located in the city

Please fill in the requested above information:

- CD Staff Serving NYC and how many are located in NYC
- Staff supporting CRA Activity and how many are located in NYC

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

- (Yes/No) ____________________

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

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

Community Development Lending

Community development loans are loans to borrowers for affordable housing rehabilitation and construction, neighborhood revitalization, small business development, and job creation initiatives as well as loans to community loan funds and nonprofit organizations that serve primarily LMI households. We are requesting the following information concerning Bank's community development lending in 2017.

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

Please fill in the requested above information:

CD Lending (m)

- Community Development Loans in NYC (#,$)
- Community Development Loans to Nonprofits (#, $) and separately to CDC's (#, $)*
- Community Development Affordable Housing Loans in NYC (#,$)
- Community Development Affordable Housing loans in NYC to Nonprofits (#,$)
- Community Development loans for Economic Development in NYC (#,$)

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

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

Multifamily Lending in New York City

Multifamily loans are permanent loans, either originations or re-financings, to individual landlords or investors of multifamily properties, such as an apartment building with five or more units. We are requesting the following information concerning Bank's multifamily lending in calendar year 2017:

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

Multifamily (MF) Lending (m)

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

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

We are requesting the following information concerning Bank's loan modification activity in New York City in 2015 in both HAMP and non-HAMP (proprietary).

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

Loan Modifications

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

CRA-Qualified Investments in New York City

CRA-qualified investments are a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. For example, banks may purchase state and local government bonds that fund the construction or rehabilitation of affordable housing. For calendar year 2017.

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

- CRA Qualified Investments in NYC (#,$)

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

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

CRA-Eligible Grants (Philanthropy)

We are requesting the following information concerning Bank's CRA-eligible grants in 2017:

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

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

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

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

Please fill in the requested above information:

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

Development of a Local CRA Plan

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

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

Community Responsiveness and Innovativeness

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

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

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

GLOSSARY OF TERMS & ACRONYMS

Bank Classifications as defined by federal bank regulators.

Retail Savings and Commercial Banks:

Commercial Bank: A financial institution that is owned by stockholders, operates for a profit, and engages in various lending activities. These include **National** and **State-Chartered Banks.**

Savings Banks in reference to Thrifts, defined as: An organization that primarily accepts savings account deposits and invests most of the proceeds in mortgages. These include **Savings Banks** and **Savings and Loan Associations, which are** financial institutions that accept deposits primarily from individuals, and channel funds primarily into residential mortgage loans.

Wholesale Banks: Commercial banks that are not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect. They provide financial services to other large corporations or governments. For CRA exams, they are evaluated by more narrowly defined standards.

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

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

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

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

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

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

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

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

> **Lending Test:** The part of a CRA exam that evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities by considering a bank's home mortgage, small business, farm, and community development lending.
>
> **Investment Test:** The part of a CRA exam that evaluates a bank's record of helping to meet the credit needs of its assessment area through qualified investments and grants that benefit its assessment area or a broader statewide or regional area that includes the bank's assessment area.
>
> **Service Test:** The part of a CRA exam that evaluates a bank's record of helping to meet the credit needs of its assessment area by analyzing the availability and effectiveness of a bank's systems for delivering retail services and the extent and innovativeness of its community development services.

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

CRA-Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development. For example, banks may purchase state and local government bonds or tax credits (e.g. Low-Income Housing Tax Credits) that fund the construction or rehabilitation of affordable housing. [Note, in this report, we separate out grants from other investments]

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

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

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

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

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

Home Purchase Lending: Loans extended to consumers by financial institutions to be used towards the purchase of a 1-4 family home (this report focuses on owner-occupied, first lien loans).

Home Refinance Lending: Loans extended to consumers by financial institutions to be used towards the refinance of a 1-4 family home. (this report focuses on owner-occupied, first lien loans). The standard definition of a HMDA refinance loan is one in which the original mortgage is satisfied and replaced with a new mortgage. Starting in 2018, NY CEMAs will also be reported in HMDA.

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

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

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

Low-Income: A family whose income is less than 50% of the area median income (AMI) is low-income. New York City is part of the New York Metropolitan Area with an AMI $73,700 (low-income $36,850) in 2017. Using slightly different geographic areas, and adjusting for the high cost of housing, HUD set 50% AMI for a family of four to be $47,400 in 2017.

Low Income Housing Tax Credit (LIHTC): An indirect federal subsidy used to finance the development of affordable rental housing for low-income households. Its main purpose is to incentivize and leverage private-sector investment capital for the creation of rental housing units in each state affordable to households earning 60% or less of AMI, or $44,220.

Moderate-Income: A family whose income is 50%-80% of the AMI. New York City is part of the New York Metropolitan Area with an AMI of $73,700 (moderate-income $36,850 - $58,690) in 2016. Using slightly different geographies and adjusting for the high cost of housing, HUD set 50%-80% AMI for a family of four to be $47,400 - $76,300 in 2017.

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

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

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

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

Small Business Administration (SBA): The U.S. Small Business Administration was created in 1953 primarily to assist and protect small businesses and strengthen the U.S. economy. They currently strive to help Americans start, build, and grow businesses through loans, grants, training, and technical assistance.

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

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

SOURCES

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

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

c. Area Median Income data: https://www.huduser.gov/portal/datasets/il/il2017/2017summary.odn

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

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