



STATE OF NEW YORK  
BANKING DEPARTMENT  
TWO RECTOR STREET  
NEW YORK, N.Y. 10006

JILL M. CONSIDINE  
SUPERINTENDENT OF BANKS

AGENDA  
MARCH 20, 1986  
P.S. 41 AUDITORIUM  
116 WEST 11th STREET  
MANHATTAN  
7:30 - 10 P.M.

WELCOME/INTRODUCTION

GUEST SPEAKERS, ASSEMBLYMAN WILLIAM F. PASSANNANTE  
SPEAKER PRO TEM

SENATOR MANFRED OHRENSTEIN  
MINORITY LEADER

MODERATOR - OVERVIEW

THOMAS L. CLARK, JR.  
DEPUTY SUPERINTENDENT  
OF BANKS

REPRESENTATIVES FROM THE BANKING DEPARTMENT

JAMES GASS, THOMAS FLYNN, STAN JETER, RUTH PORTER AND JAMES SMITH

ISSUES

"CHECK CLEARANCE PERIODS", "RECENT DEVELOPMENTS IN MORTGAGE  
TRANSACTIONS", "COMMUNITY REINVESTMENT", "COMMUNITY PROFILES",  
"OBJECTIVES AND OVERVIEW '85", "NEWSLETTER", PART 76 AND PART  
88, "MORTGAGE BANKING INDUSTRY", "DEREGULATION OF BANK ACCOUNTS"

CLOSING REMARKS

REFERENCES:

NEW YORK STATE BANKING DEPARTMENT	1(212) 618-6445
CONSUMER SERVICES DIVISION	1(800) 522-3330
DISTRICT OFFICE ASSEMBLYMAN WILLIAM F. PASSANNANTE STATE SENATOR MANFRED OHRENSTEIN	1(212) 587-5678

WE WOULD LIKE TO ACKNOWLEDGE THE STAFFS OF ASSEMBLYMAN  
PASSANNANTE AND STATE SENATOR OHRENSTEIN FOR PLANNING AND  
COORDINATING THIS WORKSHOP.

CK - Urban Mass Transp. Admin.  
West Side Light Rail  
March 17, 1986

# Taking It Back: Learning to Use the Community Development Act



by Patrick Leung

How would you like your organization to get \$1 million? A Chicago organization was recently given a grant for that amount by three big banks in that city to help low and moderate income individuals to get mortgages. There was more. Three big banks also committed a total of \$173 million in now interest housing and commercial loans to the city's poor neighborhoods. All of that because the group knew about Community Reinvestment Act (CRA).

When First Chicago needed Federal Reserve Board approval to buy American National Corporation, another Chicago bank last year, the group threatened to do a CRA protest against the purchase application. Since First Chicago has a poor record

of giving out loans back to the communities which it takes deposits from, it was vulnerable to a CRA challenge which can result in a Federal Reserve Board's rejection of its application. After several weeks of negotiation, First Chicago agreed to a \$120 million program in loans for poor and depressed neighborhoods in exchange for approval to buy American National Corporation.

Though almost a decade old, few community groups know or learn how to use the law. The CRA redefines the responsibilities of banks to local communities. It emphasized the affirmative obligation of banking institutions to make loans as well as take deposits. They must address the credit needs of the entire community, in-

cluding those of low and moderate income areas. The CRA also requires federal agencies like the Federal Deposit Insurance Corporation and Federal Reserve Board to supervise and encourage banking institutions to invest in their communities. If a bank is found not in compliance to the CRA, the regulators can reject the bank's application for insurance, new branches, mergers or purchase of other bank assets.

However, CRA does not mandate specific kinds of credit or credit ratio. It does not explain what "help meet" credit need means or how large a lender's "community" consist of. It is up to the community activists and leaders to hold the banks and the regulators accountable in implementing the CRA.

One way where the community can play a role in supervising the implementation of CRA is through the CRA Public File. The regulations establish a CRA Public File for citizen's comment on how well lenders have met their community's obligation. Each lending institution covered by CRA must have a CRA Public File that is open to public inspection and comment. You can insert written comments in the file. The contents of the file are reviewed by examiners from the different regulatory agencies to determine how well the lender has met its community obligation. The public file also gives community groups the opportunity to file protest a lender's application for new deposit branches, mergers, acquisitions and purchases of other bank's assets if it has not met the community's credit needs.

When the CRA is properly enforced and supervised by community groups, it can be an effective tool for channeling the necessary capital for economic development for the low and moderate income areas. Creative use of CRA by community group can affect credit flows for home mortgage, housing rehabilitation and small business and farm loans.

If you'd like to know more about the CRA regulations and processes, call New York office of Asian Americans for Equality (212) 226-8960 or you can send for CRA. A citizen's guide from the Center for Community Change, 1000 Wisconsin Avenue NW, Washington, D.C. 20007.

## Banking in our Community

In order for a community to be successful in its development, a number of factors are needed. After the basic needs of water, sanitation, police, fire, health and education facilities are provided; a most important asset is its banking industry. The Bank provides the needed capital for the community to function. It is the center for the savings and investments of the area's citizenry.

# It is where the local merchant has a line of credit to buy merchandise for sale. It is where the workers come to cash their paychecks. It is where the senior citizens have their social security checks deposited. It is where a prospective homeowner goes for a mortgage. It is a place of employment for a mother whose child is now in school. It is the start of a career for a recent High School graduate. But where there aren't any banks located, all these features of growth are stumped.

# New York City as the financial capital has more banks and branches than any place in the world, yet many areas in the city have few if any banks at all. In the Wall Street area and midtown, banks are on every corner if not completely lining the block. In the greater Village community there are whole areas without a single bank in them. Such as the East Village, bounded by Second Avenue to the East River down from 14th Street to Delancy Street and the area West of Eighth Ave from 23rd Street down to Houston Street. Although heavily populated, these areas cannot fully function.

Many people living in these areas have a most difficult time. A disabled Viet Nam Vet living on 19th Street and 11th Avenue has to go 7 blocks to his bank. A retiree in the Lillian Wald houses on Avenue D and 3rd Street has 8 blocks to walk. A widow in her eighties, living on Washington and Bank streets has to walk 8 blocks for the nearest bank. A simple solution to all their problems would be storefront or trailer banks or even a bank on wheels as some areas of the country have now developed.

The chart below indicates the concentration of the banks in the area.

<u>Description of area</u>	<u>Number of banks</u>
On 23rd Street	11
Stuyvesant Town	5
East of 3rd Ave. to East River; 14th St. to Delancy St.	3
5th Ave. to 3rd Ave.; 22nd St. to 8th St.	17
6th Ave. to Hudson River; 22nd St. to Houston St.	10
Bowery to 6th Ave.; 8th St. to Houston St.	5
Bowery to Hudson River; Houston to Canal St	7
Bowery to East River; Delancy St. to Canal on Canal St.	9
	15
	<hr/>
total	82

These numbers show a concentration of banking institutions on 23rd Street, Canal Street and near 5th Avenue. They also show a great need for more banks in the East Village, the Washington Square park area, west Chelsea, the west Village and SoHo.

Interest Rates and charges vary from bank to bank. Passbook savings is generally  $5\frac{1}{2}\%$  to  $5\frac{1}{2}\%$ . A money market Account with interest of  $6\frac{1}{2}\%$  to  $8\%$  is available with a minimum deposit of \$500.00. Checking account cost tend to vary greatly depending upon the total average monthly deposit. if you have less than \$500.00 on deposit the account could cost as much as eight dollars a month and \$0.25 for each check written. But with \$1,000 or more on deposit the checking account

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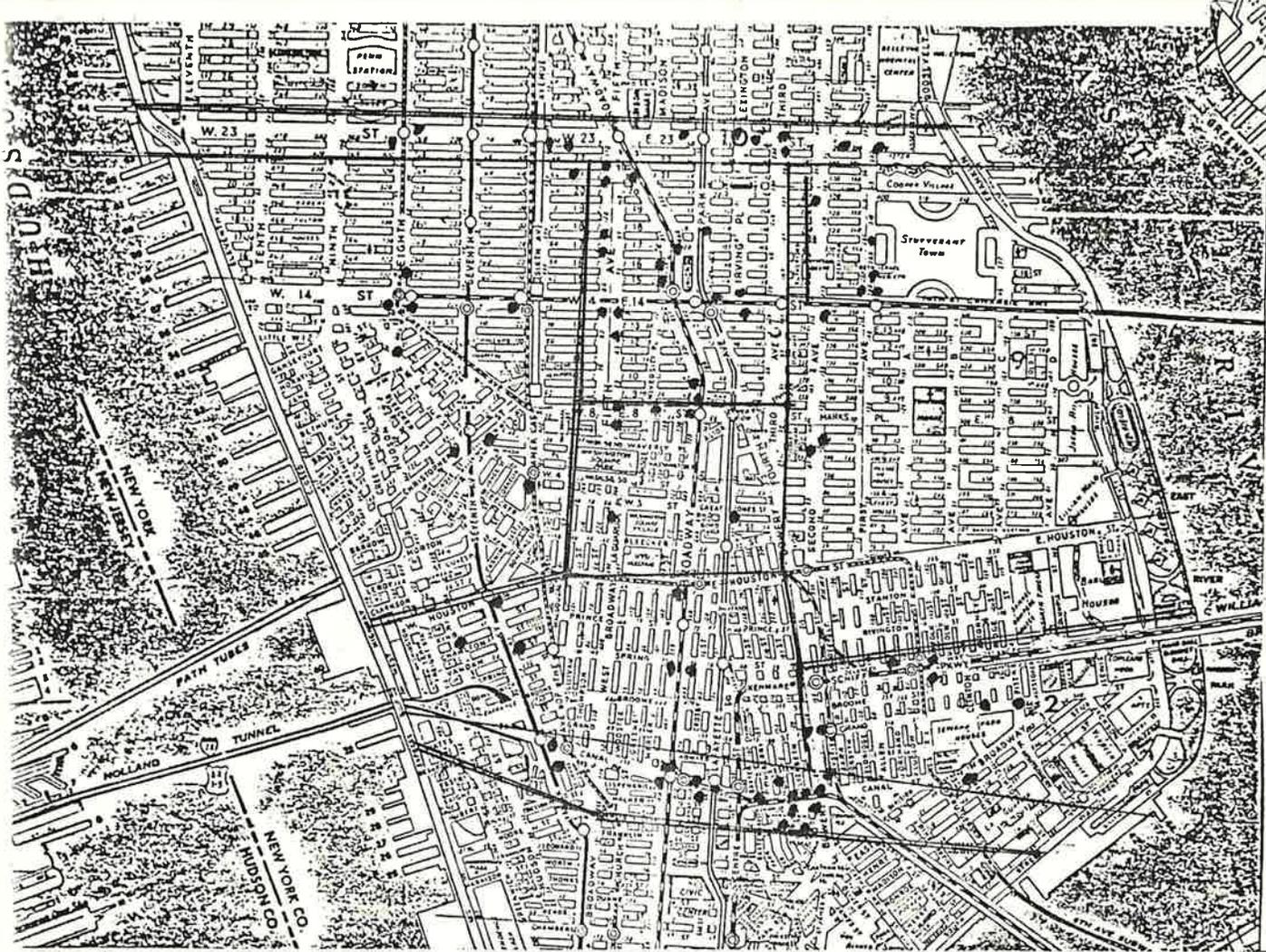
may gain interest as if it were a savings account.

A questionnaire had been distributed to the banks in the area to develop a listing of the various rates and charges but a poor response to this attempt has preempted the results.

Most banks both commercial and savings have many of the below listed services.

Savings account  
checking account  
business checking account  
money market savings account  
Individual Retirement Account (IRA)  
KEOGH  
Certificate of Deposit  
Line of credit  
Passbook loan  
Personal loan ( non-colateral)  
Home inmpovement Loan  
Auto purchase loan  
Mortgage  
Education Loan  
Small Business loan  
Corporate loan  
Letter of credit  
Individual vault box  
24 hour banking center  
Home computer accessibility  
Investment counseling  
Foreign currency exchange  
Travelers checks  
Visa and Mastercard  
Holiday Clubs

*M. BARRETT 1/7/86*



• = INDICATES APPROXIMATE LOCATION OF BANKS