

Neighborhood Housing Services of New York City, Inc.
Testimony regarding New York State's Banking Development District Program:

April 2, 2009

To the Superintendent of Banks Richard Neiman and other esteemed representatives of the New York State Banking Department: I want to thank you for the opportunity to discuss the important issue of community banking and homeownership. My name is Janelle Greene, Director of Government & Community Relations. I am here today on behalf of Neighborhood Housing Services of New York City and the seven affiliate NHS Neighborhood Offices that work throughout the five boroughs of our city.

Neighborhood Housing Services ("NHS") is a citywide, not-for-profit community development revitalization organization. NHS revitalizes underserved neighborhoods by creating and preserving affordable housing and providing opportunities for homeownership education and counseling, housing development, financial assistance and community leadership. Working in partnership with government and business, we are led by local residents and guided by local needs.

Target Population and Service Areas

Our core focus is households with annual incomes below 80% of the region's median household income. Broad-based community partnerships help us serve more than 16,000 NYC residents each year. Our database reports the following client characteristics: Black/African-American – 48%, Latino – 21%, White – 19%; Asian and other – 12%; Female – 63%, male – 37%. In terms of household income, 67% of our clients make under \$50,000 annually; 32% of our constituents are elderly (age 61 and above).

Our customers include single parents, immigrants, and seniors living on fixed incomes. NHS' citywide office, its seven neighborhood-based program offices provide residents with the opportunity and skills to rebuild and strengthen their neighborhoods. These communities are: Bedford-Stuyvesant, Bushwick, Williamsburg, Crown Heights, Kensington, Weeksville, East New York, East Flatbush, Flatbush, Carnarsie in Brooklyn; in Queens communities of Woodside, Corona, East Elmhurst, Woodhaven, Richmond Hill, Flushing and Astoria; Williamsbridge, Olinville, Wakefield, Woodlawn, Kingsbridge, Norwood, Mott Haven, Melrose and Morrisania in the Bronx; North Island neighborhoods like Stapleton, St. George and Port Richmond in Staten Island.

NHS' outreach initiatives help transcend barriers to homeownership—such as blemished credit, lack of savings, low levels of financial literacy, discriminatory and/or predatory lending practices. During this critical time in our national and state's economy, financial hardships have considerably impacted numerous customers, many whom reside in the communities that once were under banked and some that need further financial resources from trustworthy banks and financial intuitions. Although most of our customers may come to NHS with a bank account, many of them have challenges with financial money management.

Even with the present economic crisis, NHS continues provide programs and services that increasingly are in demand. Last year, NHS was able to accomplish the following: Provided pre-

and post-purchase homeownership education for more than **11,000 residents** helped **352** families buy homes with responsible and affordable mortgages totaling **\$82.1 million** ; provided **1,200** New Yorkers with foreclosure prevention education and nearly **1,140** received individual foreclosure prevention counseling; prevented **341** households from losing their homes through some form of loss mitigation resolution such as, forbearance agreements, repayment plans, negotiation with lenders, refinance, mortgage modification, and/or a rescue loan; renovated **97** buildings (**203 units**) with home repair or improvement loans of **\$3.2 million** and **42** home rehab grants totaling **\$550,937**; provided **141** people with Home Maintenance Training courses; and **969** attended our insurance seminars and we helped **117** families to obtain new insurance policies totaling **\$29.2 million**.

Much of our accomplishments can be attributed to our staff and our partners, particularly the relationships with banks within the communities in which NHS serves.

Today I will answer a few questions related to the needs of the under banked and unbanked community.

Should there be a financial literacy component required for BDD branches?

Yes. Financial literacy is vehicle in which individuals and families are able to manage finances and develop responsible means of acquiring savings and procuring loans. Having a solid financial education is the bedrock for achieving financial stability and the springboard to possibly attain sustainable wealth creation over time. Critical money management is essential for individuals and families to realize their current financial state and to determine how to achieve other financial goals. So, the NYS Banking Department should actively provide BDD branches with organization providing financial education and facilitate those contacts with members of the community and organizations within the same service area.

Neighborhood Housing Services provides members of low- and moderate- income families and individuals with homebuyer education as it pertains to basic financial knowledge and skills — the from goal setting to homeownership goal. Fundamental steps are taught to customers so they are empowered to take charge of their financial lives. NHSNYC developed a two-module curriculum: *The ABCs of Personal Finance*, a consumer guide and a five-part course on money management. The program fosters skills to ensure customers' financial security and preparation for participation in Homebuyers Clubs and, ultimately, homeownership. Customers receive one-on-one counseling where significant amount of individualized time will be spent assessing his or her financial state, budgeting and proposed course to make corrections on credit. More individuals should be proactive and encouraged to seek the education or fine-tuning from housing counseling agencies and other responsible providers.

NHS incorporates financial education as part of the NHS curriculum and counseling sessions. In 2008, 4,176 people received pre-purchase group education) and 1,085 persons received post-purchase group education; a combined total of 5,261 people receiving pre-purchase and post-purchase group education. Many of these clients moved onto to getting their finances in order in preparation to purchase a home in the future.

Are BDDs meeting the financial needs of the under banked and unbanked residents within the district?

Efforts have just started as in 2008 Amalgamated , Capital One and Chase opened branches in Brooklyn; however, more financial institutions need to be in the neighborhoods that are accessible to residents. For instance, Bedford-Stuyvesant community in Brooklyn has a large population of seniors and the nearest banking institutions are usually not easily accessible to them. More banks should be nestled within the blocks or adjacent to residential neighborhoods and not just within commercial business districts. As these communities have significant senior demographics, banks need to be sensitive to offer services that accommodate and are convenient to this population.

In certain neighborhoods, such as, parts of the South Bronx have for years lacked the presence of bank branches. The lack of branches has increased the number of check cashing and other alternative forms of banking. Poor residents are forced to pay more to cash their check or borrow money from pay day lenders. Additionally, the small business sectors in poor communities are affected by the lack of branches; because they can not establish credit or deposit sale revenue in a normal banking system. Bankers for small businesses in these communities are the loan sharks that have existed for years and have no incentive to improve those businesses.

From the bank and community perspective, what are the benefits of having a BDD in the community?

As indicated by maps that historically outline subprime and foreclosure activity in New York City, it would be safe to assert that much of this activity could have been prevented if responsible financial lending institutions would have been promoted and offered as the best alternative. Bank branch partners should collaborate with local community groups and organizations that work with low- and moderate-income households on achieving financial goals. The local non-profits already have strong relationships in the neighborhoods and would benefit tremendously if local banks could be available to provide more financial services to residents.

If banking institutions consider it too costly the establish bank branches in poor neighborhoods, they should work with not-for-profit organizations and/or existing credit unions in the boroughs to help them expand to neighborhoods in need of banking services. Credit unions and counseling agencies can play a major role in reducing the present of predatory and abusive lending practices.

As well, the creation of innovative tools should be researched and utilized to spur families to open accounts.

How to improve the BDD program?

Provide more resources to encourage banks to provide financial services to traditionally under banked communities. With an alliance with banking department and community organizations that provide education and counseling, communities are revitalized when small business owners

are able to obtain a loan; a family is able to purchase an affordable home. These opportunities enable the financial dollars to circulate in our local economies.

Neighborhood Housing Services of New York City is proud of the partnership that it has with over thirty banks and half are regulated by State Department of Banking. The partnerships with banking and financial lending institutions are an integral part of our community development and affordable housing work. Over the years, NHS has been able to further address issues of lending practices with our partners particularly when it has impacted our customer-base and low- and moderate-income neighborhoods throughout the City.

There is still a need for the Community Reinvestment Act ("CRA") ratings of banking institutions. Over the years, CRA has been vital to the work of NHS and our partnerships with banks in our service areas. CRA not only provides an incentive for financial institutions to develop relationship with NHS, but it is also a critical force in maintaining these relationships and in keeping banks committed to providing services and products to residents in low- and moderate-income communities.

The Community Reinvestment Act has been a long-standing reference for the standard business performance of many banks in our community development and affordable housing industry. Spurred by CRA requirements, lenders frequently work with NHS and to capitalize existing loan pools. Not only has CRA prompted lenders to provide more appropriate products, it has also encouraged lenders to become more involved in community education efforts. NHS is proud to have over ten financial institutions involved in providing lending, volunteer their professional expertise and participate in the educational services to our clients.

NHS would encourage and urge The New York State Banking Department to provide further incentives to increase collaborations on the financial education and management programs within the financial industry. The incentives could be through CRA examinations, monetary awards for notable collaboratives in under banked or unbanked communities.

Thank you for your time. We appreciate your work, commitment to community development and investment issues that benefit traditionally underserved communities in New York.