



OFFICE OF THE NEW YORK CITY COMPTROLLER

TESTIMONY BY

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NEW YORK CITY COMPTROLLER

**Before the
New York State Banking Department**

**Adam Clayton Powell State Office Building
163 West 125th Street
New York, NY**

**April 2, 2009
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Testimony of William C. Thompson, Jr.

**Testimony of
Comptroller William C. Thompson, Jr.
before the
New York State Banking Department
on the
Banking Development District Program
Thursday, April 1, 2009**

I want to thank Superintendent Neiman for holding this hearing and for the opportunity to submit this testimony today.

As many of you know, I have a special interest in this discussion about the Banking Development District program. In 2003, I led the effort to allow New York City to become the first municipality to formally adopt a rule to participate in the BDD program.

I want to first recognize Finance Commissioner Martha Stark who has been an incredible partner in this effort. I also want to note Deputy Commissioner of Finance Robert Lee, Director of Pensions at the Department of Finance Diane Bratcher, and Assistant Comptroller Denise Pease from my office for their outstanding efforts in support of this program.

Thus far, this initiative has been a tremendous success. Since New York City entered this program, the number of BDD branches in the five boroughs has increased from seven to twenty-five. To date, the City has deposited a total of \$200 million dollars in these branches, all of which are serving communities that were in great need of banking services.

Our participation in the BDD program has given many New Yorkers unprecedented access to affordable financial services and capital. What's more, since New York City has embraced BDDs as a viable economic development vehicle, other municipalities across our state have increased their interest and participation in this innovative program.

As with any initiative, however, there is room for improvement. Today, I will offer a few suggestions that, if implemented, would build on our successes and ensure that the use of government funds is maximized to benefit New Yorkers.

First, the program must keep New York City a main focus of the BDD program. Although the majority of districts have been designated in the five boroughs, many of our communities remain underbanked. Additionally, our needs are simply greater than other counties.

For example, the foreclosure crisis has hit New York City harder than other areas of the state. In 2008, although New York City accounted for only 26 percent of the state's owner-occupied units, it represented 40 percent of the foreclosures filed. There is strong evidence that many of these consumers received subprime or other non-traditional products because they did not have access to traditional banking services.

For your reference, attached to today's submission is a map created by my office that documents the correlation between the lack of banks and foreclosure cases handled by my office's Community Action Center. As you can see, there still is a great need in the city for quality financial institutions. A continued commitment from The State Banking Department to New York City would go a long way to address the housing crisis which has devastated so many communities.

In addition, I urge all BDD branches be required to hold financial education programs such as workshops and personal finance seminars. These programs should be made an integral part of a multi-pronged approach that includes offering high quality, appropriate services and a commitment to community revitalization.

Education is one of the most powerful tools we have to meet the financial challenges that come with every stage of life. My office has created a number of education programs which could serve as a useful template. These include:

- Consumer Banking Days, a citywide initiative featuring workshops on important issues like savings and credit, predatory lending and investment strategies to make the most out of one's financial resources;
- a foreclosure prevention helpline which has helped more than 1900 New Yorkers take their first step towards keeping their homes; and
- the "Save Our Homes" initiative which gives at-risk borrowers the opportunity to meet face to face with representatives from the financial industry.

I have seen first-hand the positive impact that these initiatives can have. BDD branches must be required to offer education programs because they raise awareness, support consumers and small businesses, and provide New Yorkers with the knowledge they need to build healthy futures.

In addition, I suggest a periodic reevaluation of districts and the program. Under the current process, after an area is designated a Banking Development District, there are no follow-up reviews to determine if the population or the needs of the community have shifted. Such evaluations would be helpful in determining

whether an area still lacks high quality financial services or if the needs have been met, in which case, the branch should graduate from the BDD program.

I also propose that The State Banking Department share information from BDD branches regularly with its government partners who deposit the funds to ensure that all our shared goals for the program are being fulfilled. I know that Deputy Superintendent Dixon has already started to work with us to address this issue and we look forward to our continued collaboration.

If implemented, these proposals will help the BDD program build on its already outstanding achievements. Looking forward, I know this is a goal we all share because we have seen the positive impact that these branches have on our communities.

As I said before, I believe in this program and am firmly committed to its success. In addition to \$200 million the City has already deposited in BDD branches, I, along with Commissioner Stark, have committed to deposit an additional \$50 million dollars.

During these tough fiscal times, when so many New Yorkers are having trouble obtaining credit and basic financial services, our communities need the BDD program now more than ever.

I know that today's discussion will help to build on our successes. I look forward to continuing to work with you, Superintendent Neiman and your staff to address these important issues.

Thank you.

Areas of NYC with Low Access to Full-Service Bank Branches As of June 30, 2008



Legend

★ Community Action Center Foreclosure Cases as of 6/30/08

□ Borough Boundaries

of Full-Service Branches within the Tract or a 1/4-mile Buffer Area

■ 0 Full-Service Branches

■ 1 Full-Service Branch

□ 2+ Full-Service Branches

Data Sources:
 Tract Boundaries: NYC Department of City Planning
 Branch Locations: FDIC Summary of Deposits, 6/30/08
 Park Land & Airports: NYC Department of City Planning
 Demographic Information: 2000 United States Census

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