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**10 YEARS IN: A REVIEW OF THE
BANKING DEVELOPMENT DISTRICT PROGRAM**

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New York State Banking Department

Community Affairs Unit

Consumer Services Division



Richard H. Neiman

Superintendent of Banks

Dianne E. Dixon

Deputy Superintendent of Banks

Consumer Services Division

Akua Soadwa

Director

Community Affairs Unit

Consumer Services Division

Yulitza Franklin

Urban Analyst 3

Community Affairs Unit

Consumer Services Division

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I. EXECUTIVE SUMMARY

It is estimated that there are approximately 761,000 (9.8%) households in New York State that do not have a bank account of any kind (unbanked), and 1.5 million (19.3%) that have a bank account, but rely on other, more expensive types of financial institutions such as check cashers to meet their banking needs (underbanked).¹ The failure to establish a banking relationship may negatively impact an individual's ability to create wealth.² Thus, the New York State Banking Department ("Banking Department") has set as one of its priorities reducing the unbanked/underbanked population in the state. Most notable among the measures undertaken by the Banking Department to address this problem is the administration of the Banking Development District ("BDD") program. The BDD program provides an incentive to banks to promote the establishment of new bank branches in communities with no or few branches and thereby stimulate the opening of bank accounts by the community residents. An incentive of public deposits and other benefits is provided to those banks that open a BDD branch in an underserved community to better ensure that the new branch will have sufficient deposits to provide loans and other services.

The BDD program was created in 1997, with the first BDD branch opening in 1999,³ and the program has been in active operation since then. There are currently a total of 38 BDDs in New York, 25 (65.8%) of which are located in New York City ("NYC"). However, no comprehensive review of the program had been conducted to determine its effectiveness since the program was created. Recognizing the potential of the BDD program to aid the economic development of communities and to jump-start the creation of wealth for individuals, the Banking Department decided to undertake a review of the BDD program during its 10-year anniversary of the program's operation.

The review was designed to identify the strengths and weaknesses of the program as it is currently operating, and to assist the Banking Department in developing appropriate measures that would build on those strengths and eliminate (to the extent possible) the identified weaknesses. It should be noted that the majority of the information gathered was driven by input from downstate respondents because 25 of the 38 BDD districts are located in NYC. The metrics used for the review included written surveys of the participating BDD banks that have been designated under the program and some of the community organizations within those 38 districts; public hearings (upstate and downstate) on the operation of the program; and information culled from the annual performance reports submitted by the BDD branches to the Banking Department. A total of 27 BDD branches and 39 community organizations responded to the survey; 16 financial institutions, 11 community organizations, and seven public officials testified and/or submitted testimony for the public hearings.

Although the methodology adopted for the review was neither designed nor intended to constitute a scientific study of the BDD program, the tools used to gather information did provide significant and meaningful insight on its operation and effectiveness.

¹ Federal Deposit Insurance Corporation (FDIC). (2009). National Survey of Unbanked and Underbanked Households. [Table B-34 Banking Status by Household Characteristics: New York].

Available on FDIC Website: <http://www.economicinclusion.gov/>

² Fellowes, Matt and Mia Mabanta. Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential. Brookings Institute. (2008). [pg. 3-4].

³ Spring Valley in Rockland County was the first designated BDD. The branch was operated by Union State Bank (acquired by KeyBank in 2008).

Key Findings of the BDD Review

General Findings on the BDD Program

- *Overall, the BDD program plays an important role in reducing the number of unbanked and underbanked populations in New York State.*

A majority of those who testified and/or responded to the survey and who expressed an opinion stated that the program helps meet the financial needs of the unbanked and underbanked by providing communities with access to financial products and services and providing growth opportunities for local businesses.

- *Despite its successes, the BDD program could be dramatically improved by mandating that BDD branches provide financial education, encouraging the development of more affordable products and services and encouraging more collaboration between the BDD branches and local community groups.*

Expanding Eligibility for the BDD Program

- *In general, non-bank participants (credit unions, community-based organizations (“CBOs”), and public officials) in the survey and at the hearings favored expanding eligibility for the program to non-bank entities, (e.g., credit unions), while bank participants did not.*

Banks reported that an expansion of the program to include credit unions would unfairly disadvantage banks because credit unions do not pay most taxes. Credit unions highlighted that there is no profit income on which a credit union would pay taxes, thus there is no advantage over banks in allowing credit union participation in the program.

- *Most urban banks favored allowing new BDDs to overlap with currently existing BDDs while most rural banks disfavored such a measure.*

Most rural banks worried that such an overlap would be unwise because rural areas have smaller populations and therefore fewer potential depositors from which multiple BDDs could draw sufficient business to be profitable.

- *An overwhelming majority of those commenting on the issue requested that banks acquiring an existing BDD branch be allowed to apply to have the newly acquired branch enjoy the benefits of the BDD program despite the change in ownership of the branch.*

Banks’ Concerns with the BDD Program

- ***Collateralization:*** *Four of the 12 (33%) BDD banks that testified at the hearings reported that the cost of collateralizing the subsidized deposits severely diminished the benefits of the deposits.*

This finding is quite disturbing because the subsidized public deposits are the most significant incentive of the BDD program for motivating a bank to establish a new branch in an underserved community. To the extent that banks may be unwilling to assume the costs associated with collateralizing the deposits, the future of the BDD program is in jeopardy.

- ***Certificates of Deposits (“CD”) Maturity terms:*** *Aside from the cost of collateralization, banks participating in the BDD program are most concerned that the initial two-year CD maturity term be extended.*

Banks reported that the two-year limitation hampered the ability of a newly established branch to develop appropriate profitability projections during its start-up period because the branch is unable to rely on the existence of the deposits for a reasonable amount of time.

- **Deposit Renewals:** *BDD branches requested that no limit be placed on the number of times a BDD branch can seek to renew its subsidized deposits.*

Although no one suggested that BDD branches should not be striving to become profitable independent of subsidized deposits, those addressing this issue underscored the difficulty of becoming profitable in an underserved area and urged that no arbitrary limit be placed on the number of deposit renewals.

Community-Based Organizations' Concerns with the BDD Program

- **Financial Education:** *More than 75% of the BDD branches reported that they conduct financial education workshops within the BDD. Nevertheless, at least one-third of the CBOs identified the need for more financial education opportunities as the most prevalent banking need.*

Twenty-five percent supported the idea that the BDD program should require participating banks to provide financial education to consumers and/or businesses through partnerships with nonprofit entities whose mission is to provide such services. Only 34.7% of the CBOs reported that they collaborate with a BDD branch in either developing financial education workshops/events, or using the branch's currently existing financial education program.

- **Products and Services:** *Although most of the CBOs offering a viewpoint found that the branches provided much needed low-cost products and services, at least one-third of the CBOs urged that more be done to lower the cost of banking in the BDD communities.*

Nearly half (47.6%) of the branches reported that they offer convenient access to low-cost consumer banking products that address the credit needs of low- and moderate-income persons in their districts. However, 30.3% of the CBOs expressed that the branches need to offer more no-cost and/or low-cost check cashing services and checking accounts with targeted services for immigrants, and extended banking hours.

This view echoes the NYC Department of Consumer Affairs' June 2008 Study on Neighborhood Financial Services, which stated that there is a....

"... fundamental mismatch between current financial products offered by mainstream financial institutions, and consumer transactional needs – getting cash, paying bills, and buying goods."⁴

- **BDD branches and Community Group Partnerships:** *The CBOs perceived a need for the banks to develop more lasting relationships and partnerships with local groups.*

A majority (56.4%) of the CBOs reported that they interact with the BDD branches on a "regular" basis, with "regular" running the gamut from weekly meetings to contact on an "as needed" basis. The organizations expressed an interest in collaborating more with the BDD branches on financial education initiatives and in learning more about the branch's loan products.

⁴ NYC Department of Consumer Affairs, Office of Financial Empowerment. (June 2008). Neighborhood Financial Services Study: An Analysis of Supply and Demand in Two New York City Neighborhoods. [pg. 7].

Next Steps

Overall, the feedback collected from the banks, community groups and other community stakeholders who participated in this review of the BDD program reflected positively on the benefits, effectiveness and efficiency of the program. All lauded its existence, finding that its mission addresses an important need in the state, while also recognizing that the program faces some significant challenges.

The Banking Department has considered the insightful ideas and thoughtful comments that were presented during this process and has determined that many of the recommendations offered should be implemented. The Banking Department will seek the following programmatic changes:

Programmatic Changes that Directly Benefit Consumers

Include the provision of financial education as a requirement for participation in the program.

Because the need for financial education, particularly among the unbanked and underbanked populations, is great, BDD branches should be required to provide financial education to the residents and businesses in their districts. However, rather than provide these services directly through bank staff, who despite their financial experience may not necessarily have the appropriate skills or training to conduct effective financial education, the Banking Department strongly recommends that BDD branches partner with a third-party whose primary mission is to provide financial education.

Encourage BDD branches to provide additional affordable banking products and services.

Currently, the Banking Department does not require BDD branches to offer products or services with any specific feature or cost. This gives a bank more latitude to develop products that are responsible and responsive to the needs of the community. However, the Department does insist that a BDD branch offer “affordable” products and services. This review of the BDD program has made clear that more needs to be done to ensure this is happening. Thus, the Banking Department will require both new applicants and those seeking to renew current deposits, to include more detailed information on the costs and features associated with the “affordable” products that a current or prospective BDD branch will offer a community. And the affordability of an applicant’s offerings may be a determining factor on the outcome of the application. While the Banking Department does expect a participating financial institution to adhere to sound business practices, it also expects to see checking and savings accounts and loan products that truly meet the needs of the community.

Programmatic Changes that Remove Unnecessary Restrictions on Banks’ Participation in the BDD Program

Reduce the cost of collateral by amending Section 105 of the State Finance Law.

The banks have made clear that the cost of obtaining Treasury securities or Federal Home Loan Bank letters of credit as collateral for the subsidized deposits erodes or even exceeds the benefit of the subsidized deposits, jeopardizing the viability of the branch and the future of the BDD program. To the extent that the New York State Office of the State Comptroller (“the State Comptroller”) is of the opinion that changing the acceptable forms of collateral requires legislation to amend Section 105 of the State Finance Law, the Banking Department is committed to working with the State Comptroller and the Legislature to enable the State Comptroller to accept Certificate of Deposit Account Registry Service (“CDARS”) deposits in lieu of the collateralization requirement. Doing so, would dramatically reduce the costs for BDD branches while maintaining the security of the public funds.

Extend the length of the initial CD maturity term.

The Banking Department has already begun discussions with the State Comptroller, who authorizes the length of the initial subsidy, to have the maturity term extended from two to four years.

Refrain from imposing a limit on the number of deposit renewals.

Recognizing that establishing and maintaining a bank or credit union in an underserved community may require more time to reach stability than would normally be required in a community not underserved, the Banking Department has decided not to impose an arbitrary limit on the number of deposit renewals. There is currently no cap on the length or number of times that an institution may seek to renew its subsidized deposits. However, should the State Comptroller place a cap on the amount of public funds available to be used by the BDD program, the Banking Department will necessarily revisit this issue.

Programmatic Changes Affecting the Creation of a BDD Branch

Allow multiple BDD branches within a single designated district.

Recent state legislation makes clear that the Banking Department may designate multiple BDD branches within a single district subject to Department approval. In addition to the criteria currently considered in approving any BDD,⁵ the Banking Department will consider whether the products and services that will be offered by the branch will meet the needs of the community, and evaluate the impact on the existing BDD branch's ability to continue to offer affordable financial services within the district.

Allow the creation of a new Banking Development District that overlaps the boundaries of an existing BDD.

Many of the same considerations and concerns that are relevant to determining whether to allow multiple BDD branches within a single district come into play in determining whether to permit new BDDs that overlap with existing BDDs. Although allowing districts to overlap will result in the creation of more BDDs, the Banking Department recognizes that overlapping districts have the potential to adversely affect branches in rural areas. Rural branches have smaller populations from which they can draw depositors. Thus, a new BDD branch with geographic boundaries that overlap an existing BDD branch will necessarily tap into part of the same population being served by the existing branch. However, to ensure that both branches are viable, the Banking Department will consider the impact the proposed overlapping BDD may have on the existing branch as part of the application criteria in determining whether to grant the application.

Allow a bank purchasing a BDD branch from another bank to enjoy the program benefits that the previous BDD branch enjoyed, provided that the purchasing bank's "new" branch either adopt in whole the former bank's plan for meeting the banking needs of the district, or the purchasing bank creates a different plan by which the "new" branch will offer products and services that meet the banking needs of the district.

This programmatic change would allow an existing branch that is purchased by a different bank to participate in the BDD program. Although the program focuses primarily on establishing new branches in an underserved area, this change recognizes the need to preserve BDD branches in underserved communities, but only to the extent that these branches continue to operate under the mandates of the BDD program and provide affordable products and services to these communities.

Programmatic Changes Affecting the Administration of the BDD Program

Improve the BDD application process and provide more assistance to BDD branches.

The Banking Department is committed to improving the administration of the BDD program to make it more efficient and convenient for the participating institutions. Already, the Department has streamlined the application and renewal forms. Additionally, recognizing that the BDD branches may have best practice recommendations that would improve the program, the Department is considering

⁵ For a further discussion of the criteria considered for approving a BDD, see Appendix C.

convening forums that would promote an exchange of ideas and allow the branches to share information on their experiences with the Department and other BDD branches. The Department is also considering the development of a clearinghouse on its website to enable the BDD branches to easily access best practice recommendations; ideas for innovative product features; and information on the unbanked/underbanked.

Generate more awareness of the BDD program throughout New York State.

Given the limited response to our request for public comment on the BDD program from banks and community groups outside New York City (“NYC”) and Buffalo and the fact that only 13 of the existing 38 BDDs are located outside of NYC, we believe that the program is not sufficiently well-known throughout the state. Consequently, the Banking Department will seek to increase awareness of the BDD program in upstate New York. We are committed to ensuring that more communities in the state have access to affordable and convenient banking services via the BDD program.

Investigate reconvening the Banking Development Working Group.

In 2004, the Banking Department partnered with several state and NYC agencies to form a working group that focused on identifying NYC communities lacking bank branches. Eleven communities were identified by the group and the agencies offered additional incentives to those banks that sought to establish a district in one of these communities. Known as “Enriched BDDs,” six of the 11 communities were designated by the Banking Department as BDDs. Reconvening the working group and developing additional incentives for banks may result in more BDD branches in NYC. Thus, the Banking Department will reach out to its former partners to discuss reviving the working group.

Other Issues

The participation of credit unions in the BDD program.

Credit unions are currently not eligible to receive public deposits pursuant to Section 10 of the General Municipal Law, thus there would need to be a change in state law to permit credit unions to receive such deposits. Additionally, there would need to be a change in the Banking Law which currently limits participation in the BDD program to banks. Bills are pending in both the NYS Assembly (A 04370) and the NYS Senate (S 1782) that propose amending the General Municipal Law to allow credit unions to accept and secure deposits from municipal corporations. Should the General Municipal Law be amended, then the Banking Department would be inclined to advocate for a change in the Banking Law. However, credit union participation in the BDD program would require some restrictions to ensure that such participation would not unfairly disadvantage bank participants.

The following report discusses the Banking Department’s review of the BDD program, including its methodology for the review and the key findings resulting from the review. The report also discusses the next steps that the Banking Department will pursue based on those findings to improve the operation and effectiveness of the BDD program.

II. BACKGROUND & OBJECTIVES

The New York State Legislature created the Banking Development District (“BDD”) program in 1997 by enacting Banking Law §96-d, which became effective January 1, 1998. The program was designed to encourage the establishment of bank branches in areas across New York State with a demonstrated need for banking services. The program is administered by the New York State Banking Department in collaboration with the New York State Office of the State Comptroller (“the State Comptroller”).

The program was created in recognition of the fact that banks play an important part in promoting individual wealth, community development, and revitalization.⁶ For example:

1. Banks are a source of capital for local businesses, which promotes job creation;
2. Banks are a source of capital for mortgages, which increases home ownership and allows home improvement;
3. Banks provide services that allow individuals to cash checks, pay bills, and transmit money more cheaply than other types of financial institutions, such as check cashers; and
4. Banks help people create wealth through savings programs and other banking services.

How the BDD Program Works

The Application Process

Pursuant to current Banking Law, only banks, trust companies or national banks, (which includes savings banks and savings and loan associations), whether state or federally chartered, are eligible to participate in the BDD program. A bank must complete an application in partnership with local government⁷ for the designation of an area as a BDD. The application must clearly define the geographical boundaries of the proposed district and must demonstrate not only that the community is in serious need of banking services, but also that this need is not being met by existing nearby financial institutions. The applicant also must show that by establishing a new⁸ branch in the proposed district, the institution is prepared to meet the specific, identified unmet need and that there is strong community support for the BDD designation.

In addition to reviewing the application, the Banking Department conducts a site visit of the proposed district to confirm that the area is underserved and/or underbanked. Once a completed application has been submitted and the site visit has been conducted, the Banking Department then has 60 days to issue a determination on the application. If approved, the applicant will then be directed to contact the State Comptroller’s office to finalize the terms for deposit of the public funds (up to \$10 million). These public deposits lower the financial risks that the branch will incur by opening in an underserved community, usually comprised of low- and moderate-income households.

Currently, a BDD branch receives the deposit of public funds in the form of a certificate of deposit (“CD”) from the State Comptroller which the branch may maintain at an interest rate that is 100 basis points below the five-day average on New York jumbo CD's (per Bloomberg BQNY). The \$10 million in deposits must be collateralized in accordance with state law. BDD branches may also request that the State Comptroller deposit non-subsidized, market rate deposits in the amount of \$25 million in the branch.

⁶ Part 8 of the General Regulations of the Banking Board. § 8.1 Explanation; Authority.

⁷ Local government is defined in the statute as a county, town, city, or village.

⁸ If a bank already has an open branch within a proposed BDD area, the existing branch will be eligible for participation in the BDD program only if the branch opened after December 31, 1996. Of course, all other application requirements also must be met.

The market rate funds remain in the branch for a total of five-years, with the possibility of one-year extensions, while the subsidized deposits remain in the branch for an initial two-year period. After the initial two-year period has passed, the subsidized deposits must either be returned to the State Comptroller, or renewed by the branch.

The Renewal Request Process

For subsidized deposits, once the initial two-year period has ended, a BDD branch may request renewal of its deposits. Renewal requests must be made annually prior to the maturation date of the deposits. The renewal process allows the Banking Department to assess each branch's progress in meeting the identified needs articulated in the original BDD application. To request renewal, a branch must complete the "BDD Renewal of State Deposits Application" and prepare a written statement describing, among other things, what new initiatives the branch undertook and what new, low-cost bank products the branch developed during the preceding year. All of these materials are submitted to both the Banking Department and the State Comptroller.

The Banking Department reviews the submission and determines whether the branch has made adequate progress towards reaching its stated goals. Where sufficient progress is found, the funds are renewed for an additional year. Where insufficient progress is demonstrated, the branch may be placed on a one-year probation and given specific directions for improvement. If no improvement is made upon completion of the probation, the Banking Department may recommend to the State Comptroller that the deposits not be renewed. Currently, there is no limitation on the number of times that a BDD branch may request renewal of the BDD deposits. Similarly, there are no limits on the number of districts that a bank may seek to establish in the state. Thus, several banks have been approved to establish multiple BDD branches.

The New York City BDD Program

In 2003, New York City ("NYC") adopted a similar BDD program⁹ authorizing the deposit of below market rate city funds in newly established BDD bank branches located in any of the five boroughs. The program is governed by the New York City Banking Commission ("the Commission"), comprised of representatives from the offices of the Mayor, the NYC Comptroller and the NYC Commissioner of Finance. The Commission designates which banks are eligible for the city funds.

To be eligible, the branch must have opened after the area was designated a BDD by the Banking Department, or the branch must have been approved by the Banking Department for a BDD designation and opened on or after January 1, 1997. If the BDD application is approved, the successful NYC BDD applicant may be awarded an additional \$5 or \$10 million dollars in subsidized deposits from the City of New York.

In late 2004, the Banking Department, together with several New York State and City agencies formed the "Banking Development Working Group"¹⁰ (the "working group") to promote the newly established city BDD program. The working group identified 11¹¹ NYC communities that were decidedly lacking in bank services and developed a menu of additional state and city incentives to heighten the appeal of the program to banks as encouragement to locate a branch in one of the identified neighborhoods. Any BDD established in one of these communities is known as an "Enriched BDD" because of the additional

⁹ §1524 of the New York City Charter.

¹⁰ The Banking Development Working Group is comprised of the Banking Department, State Comptroller, Empire State Development Corporation, NYC Comptroller, NYC Department of Finance, NYC Housing Authority, NYC Department of Small Business Services, NYC Economic Development Corporation, and NYC Schools Construction Authority.

¹¹ *Brooklyn*: Bedford Stuyvesant (Community District 3) and Ocean Hill and Brownsville; *Bronx*: Highbridge/Concourse, Williamsbridge/Olinville, Soundview/Bruckner; *Manhattan*: Lower East Side, and Upper Central Harlem/Hamilton Heights; *Queens*: East Elmhurst/North Corona, Far Rockaway and Long Island City; *Staten Island*: Stapleton/Clifton.

incentives.¹² A total of six¹³ “Enriched BDD’s” have been designated as a result of the working group’s outreach efforts.

General BDD Statistics

As of April 2010, a total of 38 BDD’s have been designated by the Banking Department across the state: 25 are in NYC, four are in the City of Buffalo (Erie County), and nine are spread out across New York State in the following counties: Albany, Cayuga, Jefferson, Nassau, Oneida, Onondaga, Orange, and Rockland. Between 2005 and February 2010¹⁴, a total of 61,750 bank accounts (savings and checking), have been opened, and 6,673 loans (mortgages, small business and auto loans), totaling \$538.8 million have been extended to underbanked and underserved populations across the state at BDD branches.

However, no comprehensive review of the program had been conducted to determine its effectiveness since the program was created. Recognizing the potential of the BDD program to aid the economic development of communities and to jump-start the creation of wealth for individuals, the Banking Department decided to undertake a review of the BDD program during its 10-year anniversary.

Methodology Used for the Review

In 2009, the Banking Department undertook a two-pronged review of the BDD program. The review was designed to:

- Get feedback on the BDD program from the banks’ perspective (both BDD and non-BDD participants);
- Get feedback on the BDD program from the public’s perspective (both the BDD community members specifically and the public-at-large); and
- Identify ways in which the program could be improved to operate more efficiently and effectively.

In January 2009 a survey was conducted of all 38 of the BDD branches and a separate survey was conducted of the 124 community groups that had either submitted letters in support of a particular BDD designation application, or had been identified by a BDD branch as an organization that partnered with the branch on various activities. The community groups consisted of local chambers of commerce, affordable housing advocates, social service agencies, churches, community development corporations, business associations, and a variety of other organizations. Forty-seven (38%) of the community-based organizations (“CBOs”) and 27 (71.1%) of the BDD branches responded to the survey.

The survey sent to the banks asked a variety of questions on a bank’s experience as a BDD branch, including, how the branch assessed the banking needs of the district residents and businesses, and what types of products and services the branch offered specifically to meet the banking needs of the district. The branches were also asked about the degree to which they reached out to community groups within their districts to develop relationships and partnerships with these groups.

The survey sent to the community groups asked about the community’s perception of the BDD branch’s responsiveness to the banking needs of the community.

¹² Incentives include: providing a bank with help identifying commercial space for the branch; reducing a branch’s real property taxes (pursuant to section 485-f of the Real Property Tax law) at a rate of 50% for the first year of operation and a decrease in the exemption rate by five percent for each subsequent year, resulting in a reduction in taxes for a total period of ten years; facilitating the development of relationships with community groups in the BDD area, which is often instrument in securing depositors for the branch; and qualifying the bank for CRA credit.

¹³ Central Harlem; Williamsbridge, Bronx; Stapleton/Clifton, Staten Island; Soundview/Bruckner, Bronx; Long Island City, Queens; and Lower East Side, Manhattan.

¹⁴ This data was not collected prior to 2005.

In addition to the surveys, in early March 2009, nearly 2,000 notices were mailed to public officials, CBOs (including those who had received the survey), and financial institutions informing them of the Banking Department's intent to hold public hearings on the workings of the BDD program. In April 2009, the Banking Department held two public hearings: one in NYC and one in Buffalo.¹⁵ A total of 34 financial institutions, community organizations, and public officials testified and/or submitted testimony¹⁶ expressing opinions on ways to strengthen and expand the BDD program. Although many of those who testified in person, or submitted testimony spoke on a broad array of topics related to the BDD program, the notice did ask specifically for comments regarding the following:

1. Eligibility for the BDD program (e.g. whether the program should be extended to credit unions, whether a newly proposed BDD should be allowed to overlap with a currently existing BDD, etc.);
2. The mechanics of the BDD program;
3. General feedback on the BDD program; and
4. Ways to improve the BDD program.

Both the survey responses and the hearing testimony revealed that a majority of the participating banks, alternative financial providers, CBOs, and public officials generally favored the BDD program and considered it to be vital in reaching the unbanked and underserved communities across New York State, but, all also expressed serious concerns with the program.

For the BDD branches, the areas of concern included the costs associated with the program; the short length of the initial deposit period (two years); and the impact of current economic conditions on their ability to meet the needs of their communities.

The CBOs seemed most concerned about the level of support for the community that the BDD branches actually provide. There were repeated requests for more collaboration with community groups, more support for community events, more low- cost products, and better targeted services.

Finally, in addition to the survey and hearing responses, the Banking Department reviewed information included by the BDD branches in their annual performance reports submitted in support of their requests to have their subsidized deposits renewed. The information in the reports was used primarily to flesh out survey responses, especially responses related to types of low-cost products currently being offered by the BDD branches.

¹⁵ Although a total of four hearings were originally scheduled (Syracuse, Saratoga, Buffalo and NYC), the Banking Department did not receive sufficient requests to testify at Syracuse and Saratoga to justify holding those hearings.

¹⁶ Copies of testimonies can be found on the Department's website: <http://www.banking.state.ny.us/bddhearing.htm>.

III. FINDINGS

Overall, both the community stakeholder and bank respondents expressed an appreciation for the BDD program, but articulated areas of concern in its operation.

The Survey – The Perspective of the Banks

Twenty-seven (71.1%) of the 38 BDD branches responded to the survey; five (18.5%) of those that responded are located outside of NYC. The survey focused primarily on:

- Understanding how the branch determines the banking needs of the BDD district and how it uses the public deposits to provide products and services that address those needs; and
- Identifying the non-economic benefits the branch provides the district.

Assessing and Addressing the District's Banking Needs

As part of its application for a BDD, a bank must provide information on the banking needs of the area it seeks to have designated a BDD, and it must indicate how it intends to meet those needs. The survey asked the branches to describe the tools they use to continuously assess those needs and the products and services they offered to meet the needs identified. Twenty-five (92.3%) of the banks responded to this question and indicated that they use their interactions with the various community stakeholders and/or use a combination of other methods to identify the banking needs of the district.

- Fourteen (56%) branches identified meeting directly with community stakeholders as one of the primary means for obtaining information on banking needs;
- Ten (40%) reported using internal market data and research on unbanked communities in addition to attending meetings with community groups; and
- Three (12%) branches mentioned that they joined the Federal Deposit Insurance Corporation's ("FDIC") New Alliance Task Force¹⁷ to gain more insight on the barriers of banking for the immigrant population. However, the New York faction of this task force has not met since 2006.

Other measures mentioned (by at least one branch) for ascertaining banking needs included relying solely on:

- demographic data on the area;
- the Internet (websites of the U.S. Census, the NYC Department of City Planning, the FDIC, the Federal Financial Institutions Examination Council and the US Department of Labor);
- market data and the internet; and
- information from bank personnel who live in the district.

It appeared that the branches tailored their responses to this question based on whatever methods they used during their initial assessment of the needs of the community, (i.e., during their application for a BDD designation), and an ongoing assessment of the district does not occur.

A majority (71.43%) of the branches found that their districts needed affordable housing; community development initiatives; and support for the local community groups. Other major needs included low-cost banking products as alternatives to payday lenders and check cashing stores and an increase in the

¹⁷ The FDIC's New Alliance Task Force was formed for New York State in 2005 for the purpose of actively studying and seeking ways to bank unbanked immigrants. The initiative was modeled after a successful FRB of Chicago model.

deposits in the community. The findings from the initial assessments informed the goals set by the banks for their BDD branches, and the banks stated that they tried to address these banking needs by offering various products and services to their communities.

Every branch that responded to the survey stated that it had created or adopted at least one new product or service specifically designed for its BDD community based on these needs. Some of the products/services are described below:

- **Second Chance Checking/Savings Account:** Five (18.5%) branches, all of which are in NYC, offer this account. The account allows an individual who previously held a bank account but lost it as a result of overdrafts or some other non-fraudulent error, to open a new account with some restrictions.
- **Remote Capture:** Three (11.1%) branches offer this service. Two are located in NYC. They partner with the NYC Housing Authority (“NYCHA”) to allow tenants to make rent payments at their branches. Although the branches do charge a fee for this service, the banks state that the amount of the fee is lower than the amount an individual would pay to a neighborhood check cashing establishment with bill pay services.
- **Bank at Work Program:** One (3.7%) branch partners with eight local businesses to offer the branch’s products and services to the businesses’ employees through a Bank at Work program.
- **Enhanced Basic Banking Account:** Three (11.1%) branches offer a basic banking checking account that has more favorable features than the state-mandated basic checking account, such as, unlimited ATM/debit card transactions and 12 withdrawals per month free of charge.
- **Opportunity NYC:** Four (14.8%) branches participate in this NYC program. The program is designed by the NYC Department of Consumer Affairs, Office of Financial Empowerment to help reduce poverty and increase economic opportunities for poor city residents. The program offers financial incentives in the form of cash transfers to families in three areas correlated to poverty: children’s education, family health, and adult workforce skills and job training. As a participant in this program, banks must offer a no fee, no minimum balance, savings account with an ATM card.
- **Remittance Products:** One (3.7%) branch in NYC offers a low-cost remittance product for customers wishing to send money between the United States and Mexico, Ecuador, Puerto Rico, or the Dominican Republic.

Addressing the District’s Non-Economic Needs – BDD Branches & Community Group Partnerships

BDD branches are strongly encouraged to develop relationships and partnerships with community groups within their districts to enhance their ability to identify and address the districts’ needs. An overwhelming majority of those banks responding to the survey, (26 branches), reported having developed on-going relationships with at least two CBOs in their districts. Based on the responses, it would appear that BDD branches, regardless of size or location, are actively involved with five community organizations at any given time.

The type of organizations to which the branches reach out fall into several categories ranging from community and economic development groups to cultural organizations. Based on the responses to the survey, BDD branches interact most with economic development organizations, which represented 26.4% of all the organization types cited by the branches, followed by community development groups, which represented 11.4% of the organization types cited. The economic development organizations include chambers of commerce and business improvement districts (“BID”), while the community development organizations include primarily community development corporations.

Other types of organizations that BDD branches seek to work with include:

- *Municipal Entities* – Community Boards, Town Boards, etc.
- *Schools* – All age levels
- *Civic Organizations* – Lions Clubs, etc.
- *Cultural Organizations* – Art councils, theaters, museums, etc.
- *Youth Organizations* – Boys & Girl Scouts, etc.

Proportionally, the upstate branches tend to interact more with municipal entities, such as zoning boards and special committees when compared to their downstate counterparts. Sixty percent of the upstate branches reported that they interact with municipal entities, compared to 33% of the downstate branches.

Downstate branches tend to interact more with economic development entities. Fifty-two percent of the downstate branches reported that they interact with economic development groups, while none of the organizations listed by upstate branches were economic development groups.

Providing financial support to community groups in their district was the most reported interaction. Nineteen (70.4%) of the branches reported that they had provided a total of 73 grants to various community groups either to support an organization-sponsored event, or to directly augment the operating budget of the organization. Only three (15.8%) of the branches that reported providing community group grants reported the specific amounts granted. The grants for these branches totaled \$50,000.

While there were a diverse range of organizational types that received grants from the BDD branches, four specific types were more likely to receive a grant from the BDD branches:

Organization Types	# of Grants	% of Total Grants
Community Development/Faith-based	14	19.2%
Civic	8	11.0%
Economic Development	8	11.0%
Academia	5	6.8%

According to the survey responses, it appears that the upstate branches had a slightly higher incidence of grant support (80%) than their downstate counterparts (71%). However, this is not a true depiction of the amount of grants extended because branches did not provide a complete listing of the grants awarded in their survey responses.

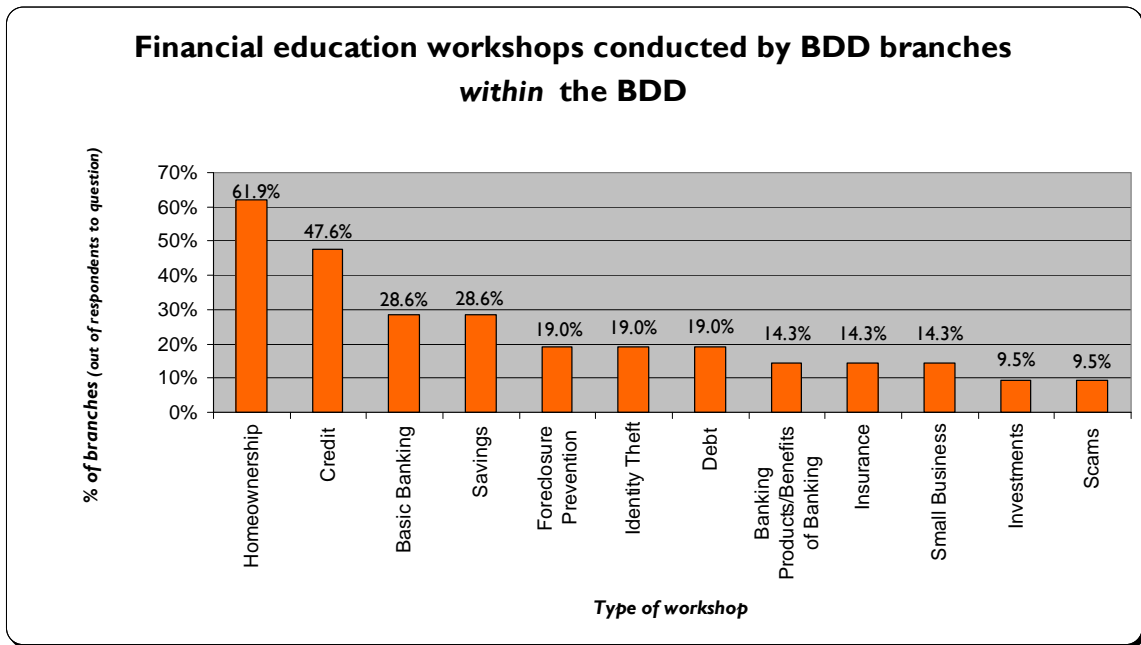
A review of the information contained in the 2009 annual performance reports¹⁸ indicates that a smaller percentage (61%) of BDD branches made grant contributions to CBOs than the percentage (70.4%) of branches that reported doing so in the survey. The BDD branches made grant contributions to 55 CBOs totaling \$961,674. The annual reports also showed that there was a slight difference in the types of organizations that the branches contributed to most often: youth, economic development, community development and social services, respectively. Similar to the survey responses, upstate branches had a slightly higher incidence of grant support (66.7%) than their downstate counterparts (53.8%).

¹⁸ Information from the 2009 annual reports was only available for 23 branches.

Another area of financial support reported by the branches involved credit products and services specifically designed for the BDD business community. Nineteen (70.4%) of the branches reported that they contribute to the commercial and economic development of their districts by assisting the local businesses. Five (18.5%) of the branches, only one of which is located upstate, indicated that their presence alone contributes to the commercial and economic development of the area. Some of the branches provided examples of how they assisted with the development of the area and these activities included:

- **Extending loans for purchase of and/or improvement to commercial property.**
 - ❖ Six branches, (22.2%), provided such loans, three of which provided specific examples;
 - ❖ One branch supported the completion and development of a 54-unit residential property and an 11-unit commercial property;
 - ❖ One branch partnered with two organizations to construct the first affordable green rental property in Harlem in which 22 of the units are reserved for youth aging out of the foster system; and
 - ❖ One branch made \$3 million in municipal investments to three municipalities to support municipal infrastructure.
- **Conducting educational seminars for local businesses.**
 - ❖ Eight branches (29.6%) responded that they conduct such seminars.
- **Providing technical assistance to small businesses.** Five branches (18.5%) reported providing technical assistance to small businesses in their BDD community.
- **Participating in the local BID organization.** For those branches reporting that a BID existed within its BDD, three (15.8%) reported being active members of the group.
- **Participating in the Second Look Program.** Two branches (10.5%) reported participating in the Second Look Program. This program offers small businesses that do not qualify for traditional bank loans, an opportunity to obtain a loan through alternative financing. The branches that participate in the program refer businesses that they have turned down for a loan, to a participating micro-lender, usually identified by a nonprofit community development financial institution partner providing small businesses a second, and hopefully more successful, look at the loan application.
- **Assigning a loan officer at the branch to identify lending opportunities.** Four branches (21%) reported assigning a loan officer at the branch to work closely with the branch manager to identify opportunities for lending to middle and large-sized companies.
- **Job creation.** Two branches (7.4%) reported contributing to the commercial and economic development of the BDD community by creating jobs and hiring community residents to work at the branch.

Of the 27 branch survey respondents, 21 (77.8%) of the branches reported that they conducted a financial education workshop within the BDD. The chart below captures the percentage of branches that reported conducting financial education workshops within the BDD and the workshop topics covered.



Six (22.2%) of the branches stated that they did not provide financial education workshops within the district. Of these six, three expressed an interest in offering more financial education opportunities while two explained that the provision of financial education was not related to their goals for the branch. One branch provided no explanation for not providing financial education in the district.

Conclusion

Based on the survey results, it appears that most BDD branches are responding to the community needs they identified in their applications for a BDD designation. Thus, most branches offer some low-cost bank accounts in their respective communities and many are attempting to address the need for community and economic development through their business lending and investment. Moreover, at least according to the branches, there appears to be a significant amount of involvement with the community based organizations in their districts in the form of monetary contributions, technical assistance and collaboration on financial education presentations.

The Survey – The Perspective of the Community

Surveys were sent to 124 community-based organizations across New York State, all of whom either provided a support letter for the bank during its initial BDD application process or were referenced in a bank’s request to renew its subsidized deposits. These organizations were selected because of their familiarity with the credit and financial needs of their respective communities, as well as their knowledge of the products and services offered by the BDD branch in their communities. Only 39 (31.5%) of the organizations surveyed responded.

Like the BDD branches, the community groups were asked to assess the banking needs of the district, the kinds of financial products and services offered by the BDD branch in their communities and the level of interaction between the branch and the community from the group’s perspective. Nearly two-thirds (64.1%), of the groups agreed that the presence of a BDD branch in their communities provided local and easily accessible full-service banking services for the residents and businesses, but at least one-third of the organizations stated that the banks did not interact enough with the community groups.

Assessing and Addressing the District's Banking Needs

When the community groups were asked to describe the banking needs of the community and how the branches could assist with addressing those needs, only 30 (76.9%) organizations responded to the question. Nine (30%) identified financial education opportunities as the most prevalent banking need in the community. Others reported access to capital and lending for individuals and for commercial and small businesses as a top priority. Low-cost banking products and services specifically geared to address the needs of senior citizens, youth, and the immigrant populations were also cited. Two groups noted that their communities needed to be revitalized but did not expand further on how the BDD branch might address this need.

Regarding the products and services available to the community through the BDD branch, the organizations did not comment much beyond generally expressing that the branches needed to provide more low-cost products. Ten organizations reported a need for more no-cost or low-cost check cashing services and checking accounts with targeted services for immigrants and extended banking hours. Two groups commented that the branches should not charge for such services as stop payment orders. In addition, the groups reported a need for enhanced services for small businesses and youth.

When the community groups were asked to specifically reflect on how the BDD branches contributed to the commercial and economic development of their communities, 33 (84.6%) groups responded to this question. All of the groups stated one or more of the following:

- The mere presence of the BDD branch spurred new economic development;
- The BDD branch fills the void left by previous banks that left the community; and
- The BDD branch facilitates access to convenient neighborhood banking services.

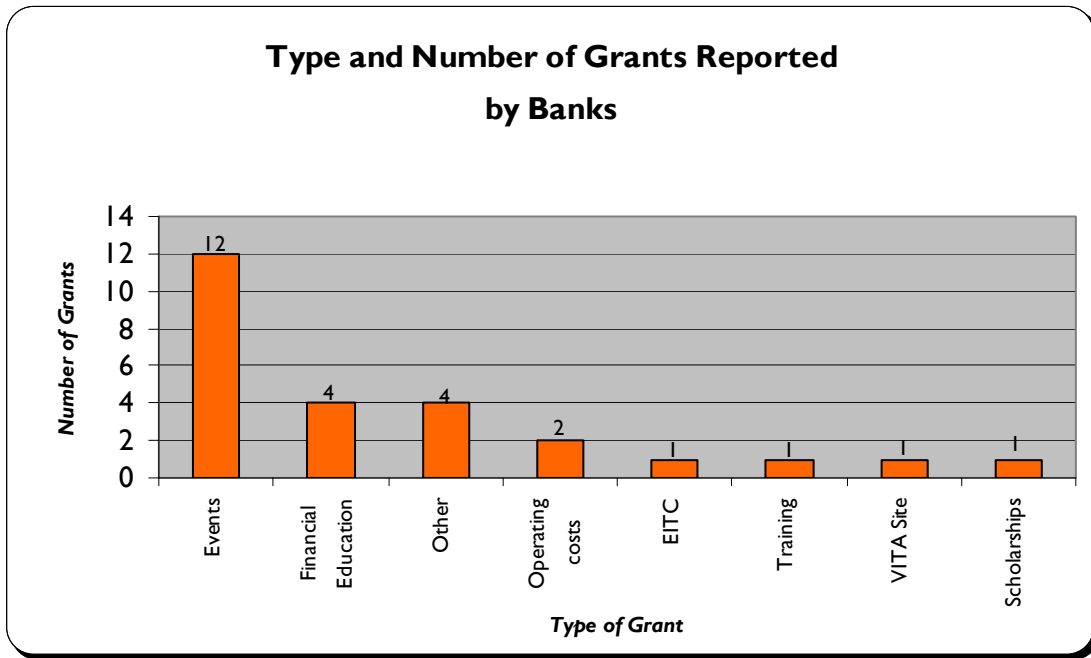
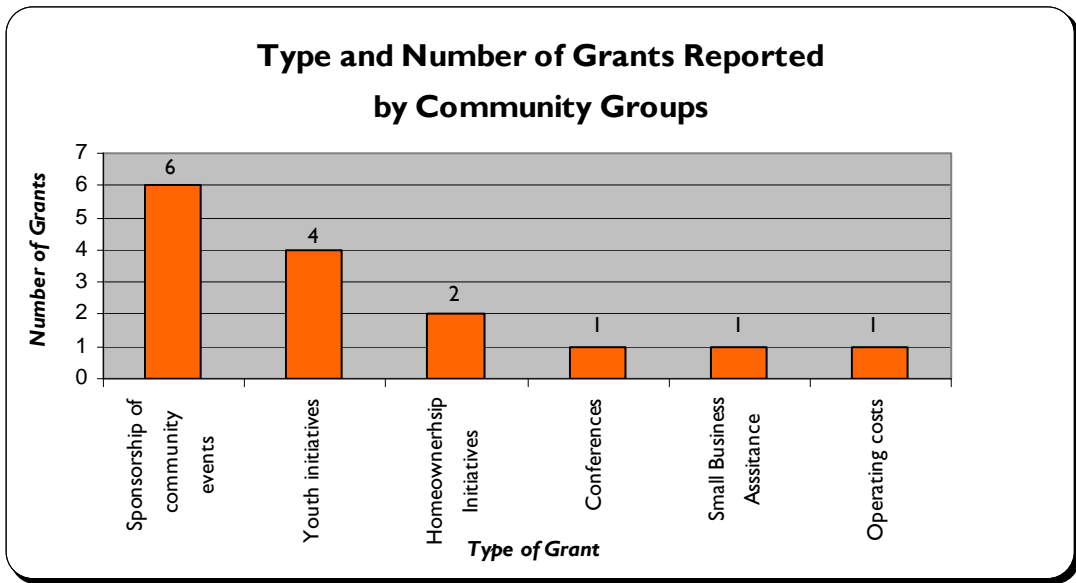
Several groups provided a list of changes (not necessarily positive), that they had observed occurring in the district since the establishment of the BDD branch. These answers were not meant to suggest a cause and effect of the BDD presence, but rather to provide the Department some insight into what has occurred in the community. The changes reported include new residential or economic development in the community, an influx of new families, including immigrants, and/or gentrification within the community, and a loss of local businesses and services.

Addressing the District's Non-Economic Needs – BDD Branches & Community Group Partnerships

Although 10 (25.6%) organizations reported that their overall experience with the BDD branch in their district had been generally positive, the survey responses from the community groups indicated that the BDD branches need to develop stronger and more lasting relationships and partnerships with the local groups. The organizations expressed an interest in increasing collaboration with the branches on financial education initiatives and in learning more about the branches' loan products and eligibility requirements. The groups also expressed a need for the branches to be more visible within the district and to provide the groups with more technical assistance on financial matters.

Only 22 (56.4%) organizations responded to the questions regarding branch and community group partnerships. Of those, 16 (72.7%) reported "regular" interaction with the branch, with "regular" running the gamut from weekly meetings to contact on an "as needed" basis. Six (27.3%) reported that they do not have a relationship with the BDD branch in their community.

Fifteen (38.5%) of the organizations reported that they had received monetary support from a BDD branch. The following charts highlight the purposes for which the monetary contributions were used. Interestingly, the information provided by the organizations differed from that provided by the branches. Thus, two charts are included – one reflecting the responses from the community groups and another reflecting the responses from the banks.



Of the remaining 18 groups who reported not having received a grant or donation from a BDD branch:

- Thirteen did not provide any additional information
- Three received grants from another branch within the bank's branch network
- One had not applied for funds
- One applied for a grant, but was denied

Six groups provided no response to this question.

The community groups reported that the BDD branches provided two forms of non-economic assistance - volunteers for community-based events and collaboration with community groups in providing financial education workshops.

Regarding volunteers, 10 (25.6%) of the groups stated that the BDD branches assisted with such community-based programs as small business events and youth programs by contributing personnel to help produce the program. One organization noted that the BDD branch in its community had provided speakers for seminars, assisted with the development of seminars, and participated in several community events sponsored by the organization. The remaining 29 (74.4%) groups reported that the BDD branches did not provide volunteers at their events.

When the groups were asked to comment on the financial education programs in which they collaborated with the BDD branches, only 23 (60%) groups responded to this question. Of these, only eight (34.7%) reported that they collaborated with a BDD branch in either developing financial education workshops or events, or using the branch's existing financial education program.

Of the remaining 15 groups that responded to the question:

- Ten (66.6%) reported that they had not collaborated with their branch on financial education initiatives but provided no additional information;
- Two (13.3%) reported that they had not collaborated with their branch on financial education initiatives but had collaborated with other branches within the bank's branch network; and
- Three (20%) noted that they had not collaborated with their branch on financial education initiatives but had plans to do so in the future.

Nine (52.9%) groups reported a need for more financial education workshops and general financial guidance in the community they serve.

Conclusion

Overall, the CBOs asserted that the bank branches had a positive impact in their communities because they facilitate access to convenient neighborhood banking services for residents and businesses, and they often fill the void left by banks that had closed. Further, the groups reported that the branches provide the CBOs with greater access to credit, and monetary and in-kind support.

However, although the CBOs expressed that they interact with their BDD branches on a regular basis, they asserted that there is still a great need for financial education, general financial guidance, and more low- and/or no-cost banking products within their communities.

The Public Hearings

In early March 2009, the Banking Department sent nearly 2,000 notices to public officials, community groups, and financial institutions informing them of the Department's intent to hold public hearings on the BDD program. The hearings were scheduled to be held in NYC, Syracuse, Saratoga, and Buffalo to gain insight from both rural and urban communities across the state. However, due to a low response rate for the Syracuse and Saratoga hearings, only the NYC and Buffalo hearings were convened.

A total of 34 people representing financial institutions, CBOs, and public officials testified and/or submitted testimony at these hearings.

- Sixteen (47%) of those testifying were from financial institutions:
 - Twelve (75%) represented banks
 - Three (19%) represented credit unions
 - One (6%) represented check casher establishments
- Eleven (32%) of those testifying were from CBOs.
- Seven (21%) represented public officials.

Of those who presented or submitted testimony, 19 (55.9%) were from downstate and 15 (44.1%) were from upstate locales.

The Banking Department sought responses to specific questions related to the BDD program. Those providing testimony were asked to comment on the following:

Eligibility for the BDD Program

- Whether the BDD program should be extended to credit unions, and if so, pursuant to what standards;
- Whether a newly proposed BDD should be allowed to overlap geographically with a currently existing BDD;
- Whether a bank purchasing a BDD branch should be entitled to assume the BDD program benefits enjoyed by the previous bank owner; and
- Whether banks already located in a BDD area should receive below market rate deposits, and if so, under what circumstances and pursuant to what standards.

Mechanics of the BDD Program

- Whether there should be a financial education component required for BDD branches;
- Whether the initial subsidy of two-years should be extended; and
- Whether there should be a limit on the number of times a BDD branch may seek to renew its deposits.

General Feedback on the BDD Program

- Whether the BDD branches are meeting the financial needs of the unbanked and underbanked residents within the district; (What are the benefits of having a BDD in the community?);
- How to expand bank participation in the program; and
- How to better meet the needs of the unbanked and underbanked.

How to Improve the BDD Program

- What specific changes should be made to the program to improve its operation and/or its effectiveness?

Eligibility for the BDD Program

Pursuant to section 96-d(5) of the Banking Law, only a bank, trust company or national bank is eligible to participate in the BDD program. The hearing sought input on whether eligibility for the program should be expanded to other types of financial institutions and whether the criteria for establishing a banking development district should be more broadly defined. We found, not surprisingly, that those in support of expanding the program to non-bank financial institutions were non-bank financial institutions, such as, credit unions and check cashers. But, support for expansion was also strong among many of the community groups and public officials who testified. Universally, however, bank representatives opposed an expansion of the program to non-bank entities.

Expanding Eligibility to Include Credit Unions and Others

The focus of this testimony related primarily to answering the question of whether the BDD program should be extended to credit unions. No one addressed the fact that the ineligibility of credit unions to participate in the BDD program stems, initially, from the statutory prohibition against credit unions

receiving public deposits.¹⁹ It appears that everyone who presented testimony on this issue addressed it from the perspective of: Were this statutory hurdle to be eliminated, should the BDD program include credit unions?

The argument most often raised by the banks for excluding credit unions from the program focused on the benefits that credit unions already receive as a result of their nonprofit status, namely, exemption from state and federal taxes. This freedom from having to pay most taxes was seen as a sufficient incentive to motivate credit unions to establish branches in underserved areas. One bank representative also stated that because credit unions, by their charter, are established with the purpose of providing affordable banking products and services to their members, no other incentives should be necessary to encourage the establishment of additional credit union branches.²⁰ There was a clearly expressed concern that allowing credit unions access to the BDD program would create an unfair disadvantage for the banks who would have to shoulder state and federal taxes, building costs, and the costs of collateralizing the public deposits.

In opposition to this position, credit unions, community leaders and public officials asserted that the benefit of tax exemption was balanced by the fact that, unlike the banks, credit unions are not profit oriented businesses. This difference, it was argued, actually leveled the playing field between banks and credit unions because credit unions make no income on which taxes can be levied. Supporters for the inclusion of credit unions in the BDD program noted that credit unions were not exempt from most property taxes and argued that because a main purpose of many credit unions is to provide affordable products and services to their members, allowing credit unions access to subsidized public deposits would further this purpose. It was also asserted that credit unions have the potential to better reach the unbanked population, which is the underlying purpose of the BDD program.

Supporters of expanding the BDD program to credit unions were asked how the boundaries for a proposed district would be drawn given that eligibility for membership in a particular credit union is limited by the specific affiliation delineated in each credit union's charter. For some credit unions the common affiliation is the members' employer; for others, the common bond is geography. Thus, it was asked how a credit union might devise a district in which the new credit union branch would be able to extend membership to a reasonable percentage of the district residents and businesses given that a member must share the credit union's affiliation basis. Responses to the question tended to be vague, but one credit union suggested that credit unions use their partnerships with local nonprofits because low-income persons can join some credit unions through nonprofit organizations that are partnered with a federal credit union. However, the need for affiliation, even with the nonprofit, still seemed to be a barrier for credit union participation in the BDD program.

Similarly, responses were few when supporters for the inclusion of credit unions were asked what additional services and products credit unions should be expected to provide in return for the subsidized deposits. If, as some testified, credit unions are already providing affordable products and services to attract the unbanked population, why were the public deposits necessary and what additional products or services would the deposits produce? Although none of the supporters addressed the types of additional products and services that credit unions could offer, the rationale for why there was a need for the public deposits was clear: while credit unions are addressing the needs of the unbanked population, some credit unions are currently operating at a financial loss. Thus, access to the public funds via the BDD program would help credit unions continue to afford providing low-cost products and services.

¹⁹ Section 10 of the General Municipal Law and Section 237 of Banking Law prohibit credit unions from receiving public fund deposits.

²⁰ Of course, there are credit unions whose members are affluent, thus providing "affordable" products for these members would not meet the same affordability standards that this testimony seemed to imply.

It should be noted that at least one individual advocated that the BDD program be expanded to include check cashers. Jason Caraballo, president of the Financial Services Centers of New York, an association representing licensed check cashing outlets across the state, urged a greater role for the financial services industry such as check cashers in providing financial products and services that meet the public's needs. Touting the convenient hours, range of services and transparent fees as well as the fact that check cashers "are located in the types of neighborhoods that the Banking Development Districts target," Mr. Caraballo suggested that the Banking Department leverage and expand upon existing partnerships between check cashers and banking institutions that already have established programs to serve low- and moderate-income consumers, e.g., the PayNet program.²¹

Overlapping BDDs

Only one other issue seemed to raise a strong difference of opinion among those who testified and that was whether a newly proposed BDD should be allowed to overlap geographically with a currently existing BDD. Over the years the Banking Department has been asked whether it would approve a BDD application that proposed district boundaries that overlapped with another existing BDD's boundaries. Although the question has come up often, no applicant has submitted an application proposing a district that would overlap another BDD's boundaries. Nevertheless, the Banking Department wanted to hear viewpoints on the issue.

Only eight people provided related testimony. Of these, six favored the idea. The six were evenly split between upstate and downstate representatives. The rationale offered was that allowing such an overlap would benefit more of the unbanked and underbanked population because one bank would not be sufficient to serve the need.

The two opponents to overlapping districts were small banks located in rural areas. They argued that in the smaller cities and rural parts of the state, populations are spread out over large expanses of land, thus, branches need to propose district boundaries covering large geographical areas to capture more people, i.e., more potential depositors. Allowing BDDs to overlap would reduce the already small customer base, which could negatively affect the sustainability and profitability of both BDD branches.

There were no non-bank responses to the question.

Extending BDD Benefits to Banks that Acquire a BDD Branch

Fourteen people addressed the question of whether a bank purchasing a BDD branch should be entitled to the benefits of the BDD program. All agreed that the purchasing bank should reap the benefits of the program. However, one person representing a community group stressed that the acquiring bank should be required to meet the same criteria as a bank applying for an initial BDD designation. One bank representative added that while the criteria should be the same, the application process should be simplified.

Extending BDD Benefits to Existing Branches

Only four people addressed the question of whether bank branches already existing within a BDD should be able to receive subsidized deposits under the BDD program. Three of these people represented public officials and one represented a non-BDD bank, all four of whom supported the measure. One asserted that if it assists with the financial stability of the branch it would be a viable option; one said that funds should be extended until evidence indicates that the community's banking needs have been met; and one did not provide any rationale. However, the bank insisted that any bank applying for participation in the BDD program in an already designated district should not be entitled to the

²¹ The PayNet program allows customers of partnering banking institutions to make deposits and cash withdrawals at participating check casher centers, providing consumers with the convenience of accessing their funds during non-traditional banking hours. To date, there are eight credit unions partnering with check cashers to offer this service.

maximum amount of subsidized deposits (i.e., \$10 million dollars). No further explanation was given for this position.

Mechanics of the Program

Mandatory Financial Education

Mandatory financial education for residents and businesses seemed to be one area in which there was a lot of discussion from the 11 people who testified on this issue. Eight believed that the provision of financial education should be mandatory for the unbanked population served by the BDD branches, but two opposed the idea; both were representatives of banks. However, of those supporting the idea, two also asserted that the financial education should not be provided directly by the banks. Instead, it was recommended that the branches partner with a third party, preferably a nonprofit organization with meaningful experience in providing financial education. The point was made that banks are in the business of banking – not teaching, while many CBOs have as their core mission providing financial education. Thus, forcing banks to provide a service outside of their expertise would not benefit the BDD community. Additionally, studies²² have shown that one reason people remain unbanked is because they do not trust banks. This is not a barrier for CBOs already serving the unbanked population. In fact, studies suggest that banks should build strong relationships with trusted community groups because these banks have been proven to be the most successful in educating non-bank customers.²³ CBOs that already have access to the population the BDD program hopes to reach are in a better position to get participation from this population in a financial education program.

However, two bank representatives, one upstate and one downstate, indicated that the financial education provided by their branches was sufficient and they did not see a need to make it a requirement. Aside from the two opponents of mandatory financial education, generally, responses from the banks did not differ much from those offered by the community groups.

Extending the CD Maturity Term

Eight people, five of whom were bank representatives, addressed the question of whether the two-year maturity term for the initial subsidized CD that is deposited in the BDD branch should be longer. When a bank's BDD application is approved, the State Comptroller deposits a \$10 million CD in the new branch with a maturity term of two years. Once the two years is completed the branch must either return the funds to the State Comptroller, or request that the deposits be renewed. If the request is granted, the CD will be renewed with a maturity term of one-year and a renewal request must be made annually thereafter. Over the years, many banks have expressed concern with the initial two-year CD maturity term, arguing that it is too short. They have requested that the term be extended to give the newly established branch a comfort level as it seeks to achieve a level of profitability.

Of the eight people who testified on this issue, all but one was in favor of a longer initial maturity term. When asked what timeframe they thought was appropriate, the answers varied, with some suggesting three years and others advocating for a seven year maturity term. The one opponent (an upstate bank) of lengthening the maturity term stated only that he thought the current two year timeframe was adequate. No further explanation was provided.

Capping the Number of Renewal Requests

Five people testified on the issue of whether a cap should be placed on the number of times a BDD branch may seek to renew its subsidized deposits, four of whom were bank representatives. Currently, there is no limit on renewals. Although the first BDD branch was designated in 1999, the longest any

²² Fellowes, Matt and Mia Mabanta. *Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential*. Brookings Institute. (2008). [pg. 18].

²³ Dove Consulting study | FDIC. *Banks' Efforts to Serve the Unbanked and Underbanked*. (December 2008).[pg. 4].

BDD branch has held subsidized deposits is seven years.²⁴ Only three of the 38 designated BDD branches have held deposits this long.

All of the five who testified recommended that no cap be placed on the number of renewal requests. However, one bank and one public official testified that renewals should cease once a branch reaches profitability.

General Feedback on the BDD Program

Meeting the Banking Needs of the District

In asking for opinions on whether BDD branches are meeting the banking needs of their districts and for comments identifying the benefits of having a BDD in the community, the Banking Department sought to get a general sense of the public's views on the effectiveness of the BDD program. Only nine people addressed whether the branches are meeting the district's needs; five were CBO representatives, three were bank representatives and one was a public official. Of these, five (three bank representatives, one public official and one CBO representative) testified that the branches are meeting the needs. They expressed their appreciation for the BDD branches' ability to provide local and easily accessible full-service banking services within their communities. However, three CBO representatives expressed concerns with the level of support that the BDD branches actually provide the community. They asserted that the BDD branches should make more of an effort to collaborate with community groups; offer more support at community events; and offer more affordable products and better targeted services. The remaining person was unsure of whether the branch was meeting the needs of the district.

From the banks' perspective, while all who addressed this issue also felt that the BDD branches are meeting the communities' needs, there was a concern that the current economic downturn would severely affect the ability of the branches to continue meeting those needs. Comparing BDD branch performance in 2008 to 2009, the total number of accounts opened increased by 65% (from 12,275 to 20,264 accounts), with the greatest increase occurring in the opening of personal CD's (from 421 accounts to 2,737 accounts, an increase of 500%). For lending, the total *number* of loans extended for home mortgages (from 199 loans in 2008 to 460 in 2009) and small businesses (from 208 loans in 2008 to 605 in 2009) also showed an increase of 131% and 190% respectively when compared to 2008. However, the total *amount of dollars* lent decreased for both loan categories; mortgage lending by 76% (from \$246M to \$58.7M) and small business lending by 26% (from \$26.1M to \$19.1M). Automobile lending also experienced a decline, both in number of loans extended (from 111 loans to 62 loans, a decrease of 44%) and in amount of dollars lent (from \$2.4M to \$900K, a decrease of 62.5%).

According to the banks, the downturn in the economy negatively impacted the BDD branches' ability to provide credit products. For example, in terms of mortgage lending, the banks stated that the downturn caused a decline in the mortgage amounts being sought as a result of the decrease in housing values.

Benefits of the BDD Program to the Communities

Regarding the benefits of the program for the communities served, 11 people responded to this issue. They identified the following benefits:

- The BDD program allows branches to fill the banking void when other banks leave the community, providing community members with continued access to financial products and services;

²⁴ Where a branch was purchased by another bank, the initial deposit date of the acquiring bank is considered the initial deposit date for the branch. Nine branches have been acquired by another bank with the earliest one occurring in 2006.

- The BDD program is vital for encouraging banks to open branches in underserved and underbanked area; and
- Branches provide growth opportunities for local businesses via loans.

Expanding Bank Participation in the BDD Program

Three suggestions were offered to answer the question of how to expand bank participation in the BDD program:

- One bank representative recommended that banks establishing a BDD branch should be given the status of “preferred partner” for city and state agencies as a way of encouraging nonprofits within BDD communities to bank with the participating branches. In addition, the bank stated that communicating the success stories of participating banks would be helpful to expanding bank participation in the program.
- Another recommendation for getting more bank participation in the BDD program involved the Banking Department conducting a tri-annual, statewide banking survey to track changes in banking patterns. It was asserted that this would allow policymakers to identify whether the presence of a BDD branch increases the use of banks in low- and moderate-income (“LMI”) communities. Assuming that the survey showed that it did, this would be an incentive to banks to establish a BDD branch in an LMI community.
- A third suggestion recommended that community groups and regulators educate banks on the needs of the unbanked communities to help the banks understand what is needed from them in participating in the program.

Better meeting the needs of the unbanked and underbanked

Nine people offered suggestions for better meeting the needs of the unbanked and underbanked. They included the following:

- Encourage banks to partner with financial service centers to provide check cashing services;
- Encourage more low-cost products such as money orders, remittances, second chance checking accounts, free checking and savings accounts, remote account opening, rent-to-own store alternatives, small dollar loan products; and
- Offer financial incentives for opening accounts through financial education programs.

Improving the BDD Program

Several suggestions were offered for improving the BDD program unrelated to the issues already discussed. The following ideas generated the most discussion:

Reduce the economic costs of the BDD program

The issue of most concern to the banks regarding improvement of the BDD program involved the costs associated with the program that are not offset by the subsidized public deposits. Four of the 34 (11.8%) people who testified, all of whom represented BDD branches, identified cost as their biggest concern. And, of these costs, the only one highlighted was the cost of collateralizing the public deposits.

Under State Finance Law, state deposits must be collateralized by the bank receiving the public funds.²⁵ The State Comptroller has interpreted the law as authorizing only three types of collateral for BDD funds; US Treasury bonds or notes and Federal Home Loan Bank (“FHLB”) letters of credit. According to the banks, the cost of purchasing these forms of collateral is so high that the benefit from the subsidized deposits is severely diminished. Indeed, at least one bank that was granted a BDD designation has

²⁵ Section §105 of the State Finance Law.

delayed accepting the deposits because, it was stated, doing so would actually result in a loss for the bank. Another bank withdrew from the BDD program altogether citing the cost of collateralizing the deposits as one of its reasons. To address this problem, bank respondents suggested that less expensive, alternate forms of insuring the safety of the deposits be permitted for participation in the program.

One such alternate form of protecting the deposits that was suggested was permission to participate in the Certificate of Deposit Account Registry Service, (“CDARS”) program. Administered by Promontory Interfinancial Networks, LLC, the CDARS program uses the allocation of FDIC-insured deposits to multiple banks to guarantee the safety of deposit amounts that otherwise would exceed the Federal Deposit Insurance Act coverage limit of \$250,000.²⁶ The CDARS program allows funds to be deposited in an FDIC-insured bank or trust company which then allocates the funds in insured amounts to multiple banks located and doing business in any state in the United States, and these banks then issue CDs for the account of the local government. The full amount of principal and accrued interest for each CD would be eligible for FDIC insurance and the local bank or trust company acts as custodian for the local government with respect to the CDs.

Participants in the CDARS program agree to pay one rate, and agree to a maturity that best matches their investment goals, which is remarkably cheaper than the cost of purchasing Treasury bonds or notes, or FHLB letters of credit. Currently, the State Comptroller’s office has taken the position that the only way to allow participation in the CDARS program is through a change in the state finance law, which would require the passage of legislation by the New York State Legislature.

Other suggested forms of collateral included NOW Accounts, Federal National Mortgage Association (FNMA) bonds, Federal Home Loan Mortgage Corporation (FHLMC) bonds, and other mortgage-backed securities that were not specified. The State Comptroller also believes legislation is required to authorize these forms of collateral.

Require more affordable products and services

While the “bricks and mortar” presence of a bank in a community was recognized as a positive, some of those who testified, like the Department of Consumer Affairs Commissioner Jonathan Mintz, urged that, “...the next generation of the BDD program should focus on what happens inside the bank branches, leveraging Departmental support in ways that lead banks to offer and sell the right mix of products and services...” According to some, although BDD branches are offering banking products, the branches are not offering many affordable products. It was recommended that branches be required to develop products that are more affordable and targeted to seniors, the underbanked, and immigrant populations with account policies that are more transparent. They also stressed that more be done to increase the visibility of the branches in their respective communities to inform the residents and businesses of the affordable products and services that are available.

Banks testified that they are providing a variety of affordable products. In addition, they testified that they provide needed services in the districts, such as bilingual ATMs, free tax-preparation services, and more senior-friendly services. Clearly, the perception of the community groups differs from that of the banks, despite the fact that both factions find the BDD program to be beneficial to the communities affected. However, given the request for more visibility of the branches in each district, the apparent disconnect may be attributable, at least in part, to a lack of awareness of what products are available.

²⁶ The FDIC insurance coverage limit was recently raised from \$100,000, to \$250,000 to address the current economic crisis, but the new limit has not been made permanent.

Improve the administration of the BDD program

Three participants, two of whom were bank representatives, provided suggestions for improving the administration of the BDD program to make it more efficient and more convenient for banks to participate. These suggestions included:

- Increasing the dialogue and face-to-face meetings between the Banking Department and the BDD branches to discuss what other branches are experiencing in their communities;
- Sharing information on the BDD branches with the government partners that deposit funds into these branches; and
- Providing recommendations on renewals to the State Comptroller at least 15 to 30 days before the maturity date of the deposits.

In addition, three other people, two of whom were bank representatives, made suggestions for improving the BDD application process:

- Decrease the turnaround time on applications generally and develop an expedited process for banks that have been previously approved to operate a BDD branch;
- Allow a third party in the application process, perhaps a joint effort with elected officials (although it was unclear how this would improve the application process); and
- Encourage more cooperation from the government co-applicants to facilitate the application process.

IV. NEXT STEPS

Overall, the feedback collected from the banks, community groups and other community stakeholders who participated in this review of the BDD program expressed positive comments on the benefits, effectiveness and efficiency of the program. All appreciated its existence, finding that its mission addresses an important need in the state, while also recognizing that the program faces some significant challenges. As stated earlier, the Banking Department's intent in conducting this review was to gather meaningful information on the status of the BDD program to more clearly identify the direction it should take in the future. The insightful ideas and thoughtful comments that were shared with the Department during this process have been considered and discussed internally at great length, and the Banking Department has determined that many of the recommendations offered should be implemented. Consequently, the Banking Department has resolved to seek certain programmatic changes, which are discussed below.

Programmatic Changes that Directly Benefit Consumers

Include the provision of financial education as a requirement for participation in the BDD program

The Banking Department will require all BDD branches to provide financial education to the residents and businesses within their districts and to demonstrate to the Department that they have established a satisfactory plan and curriculum for delivering financial education to their target population. The need for financial education, particularly among the unbanked/underbanked and small business populations is great. Requiring BDD branches to provide financial education will help address this problem. It will benefit both the branches and the district occupants because better educated customers are more likely to understand the benefits and pitfalls of the available products, which would decrease the likelihood of overdrafts or other types of account abuses, increase the number of products that a customer is willing to use and encourage asset building. Similarly, providing small business owners with information on business financing, bookkeeping, and other credit/business related matters would help current owners strengthen their businesses and provide much needed technical assistance for those interested in starting a business.

Although not required, the Banking Department strongly recommends that branches consider fulfilling this requirement by partnering with a third-party for whom such services are a part of the organization's primary mission. Sufficient lead time will be given to current branches to identify appropriate partners and curricula to satisfy this new requirement. As we work with BDD branches to implement this requirement, the Department will consider whether establishing additional specific criteria for the delivery of financial education is warranted.

Encourage BDD branches to provide additional affordable banking products and services

Although the Banking Department does not require any BDD branch to offer a specific bank product,²⁷ the Department does expect every BDD branch to provide affordable products and services to BDD residents and businesses. Certainly, many of the branches are offering such products, e.g., consumer small dollar loans, remittance products, enhanced basic banking accounts, small business microloans, free small business checking accounts, technical assistance, and free tax preparation services. However, based on the information submitted for this review of the program, the Banking Department believes that more needs to be done. Consequently, applications for the BDD program (both original and renewal applications) will be required to include more detailed information on the costs associated with the "affordable" products that a BDD branch will offer in a BDD community. While the Banking

²⁷ The only exception is the basic banking account. Pursuant to Banking Law §14-f and GRBB Part 9, all NYS regulated banks must offer the basic bank account unless the Banking Department approves an alternative account that has features more favorable than the basic account.

Department does not expect a participating financial institution to abandon sound business practices, it does expect BDD branches to provide checking and savings accounts and credit products that truly meet the needs of the community. The Department will not require a branch to offer a specific product (with the exception of the basic banking account for state chartered banks), but will require that products affordable by the district population be readily available at the branch. Applicants unable to demonstrate such affordability will not be approved for the BDD program.

Programmatic Changes that Remove Unnecessary Restrictions on Bank's Participation in the BDD Program

Reduce the Cost of Collateral

Based on the survey responses and testimony from the BDD branches as well as testimony from and discussions with non-BDD banks, there is a major concern that the cost of collateralizing the subsidized deposits is too expensive. To the extent that the State Comptroller is of the opinion that changing the currently acceptable forms of collateral requires legislation to amend Section 105 of the State Finance Law, the Banking Department is committed to working with the State Comptroller and the Legislature to ensure the safety of the subsidized state public funds using the CDARS program. Doing so would dramatically reduce the costs for BDD branches while providing a secure system for maintaining the public funds.

Extend the length of the initial CD Maturity Term

The length of the initial CD maturity term is under the authority of the State Comptroller's Office. The Banking Department has already begun discussions with the State Comptroller to have the maturity term extended from two years to four years. This extension will require bi-annual reporting by the BDD branch unless, after the first two years, the Banking Department determines that the branch is not making sufficient progress in meeting the goals stated in its BDD application.

Refrain from Imposing a Limit on the Number of Deposit Renewals

Recognizing that establishing and maintaining a bank or credit union in an underserved community may require more time to reach stability than would normally be required in a community not underserved, the Banking Department has decided not to impose an arbitrary limit on the number of times an institution may seek to renew its subsidized deposits. However, should the State Comptroller place a cap on the amount of public funds available to be used by the BDD program, the Banking Department will revisit this issue.

Programmatic Changes Affecting the Creation of a BDD Branch

Allow multiple BDD branches within a single designated district

Allowing multiple BDD branches within a single district is not really a programmatic change; it has been available since the creation of the BDD program. Indeed, recent state legislation (Chapter 11 of the Laws of 2009) makes clear that multiple BDD branches may exist within a single district subject to the approval of the Banking Department.

Although the primary purpose of the BDD program is to encourage banks to establish branches in areas lacking sufficient banking services, the Department recognizes that banks located within an area already designated as a BDD as well as newcomers to the district have the potential to positively impact the community, despite the existence of a BDD branch, by offering additional products and services that will help address the community's banking, credit and other economic needs. In determining whether to approve another branch for public deposits in an existing district, the Department will require the

branch to meet the criteria required of all applicants²⁸, including showing how the products and services it intends to offer will contribute to the economic viability and credit needs of the community within the district. In so doing, the branch would be required to take into account the impact the current BDD branch is having on the community and demonstrate that the applicant branch's participation in the program will further enhance the community without harming the existing BDD bank.²⁹

Allow the Creation of a New Banking Development District that Overlaps Boundaries of an Existing BDD

A related issue to permitting multiple BDD branches within a single district is the question of whether districts should be permitted to overlap. Allowing the overlapping of districts may enhance the financial services available to underserved communities, but also may negatively affect an existing BDD branch struggling to achieve profitability. This may be of most concern in rural areas of the state, however allowing districts to overlap facilitates the creation of more rural BDDs. Thus, safeguards are needed to avoid creating an undue burden on the bank whose BDD boundary is being overlapped. All applicants that apply for a BDD designation that would overlap with an existing district will be required to meet all the general criteria required in a BDD application.³⁰ In determining whether to permit an overlapping district, the Banking Department will consider the overall benefits to the community, including the extent to which the overlapping district adversely impacts the existing branch by tapping into the same population base.

Allow a bank purchasing a BDD branch from another bank to enjoy the program benefits that the previous BDD branch enjoyed

The Banking Department has determined that a purchasing bank should be allowed to participate in the BDD program as if it were the previously existing BDD branch, provided that the purchasing bank's "new" branch either adopt, in whole, the former bank's plan for meeting the banking needs of the district, or a plan that is substantially similar to the former bank's plan. If neither of these options is put forward, the new bank would be required to show that its new plan will offer products and services that meet the banking needs of the district. The purpose of the BDD program is to encourage the establishment of bank branches in areas where there is a demonstrated need for banking services. A change in branch ownership does not change the district's need for services. Thus, to the extent that the new branch is willing to take on the responsibilities of the BDD program, it should be allowed to enjoy the benefits of the program.

Programmatic Changes Affecting the Administration of the BDD Program

Improve the BDD application process and provide more assistance to BDD branches

The Department is committed to improving the administration of the BDD program to make it more efficient and convenient for the participating institutions. Already, the Department has streamlined the application and renewal forms. Additionally, recognizing that the BDD branches may have best practice recommendations that would improve the administration of the program, the Department is considering convening forums that would promote an exchange of ideas and allow the branches to share information on their experiences with the Department and other BDD branches. The Department is also considering the development of a clearinghouse on its website to enable the BDD branches to easily access best practice recommendations; innovative features for products and services and information on the unbanked/underbanked.

²⁸ See Appendices B and C.

²⁹ The branch also would be expected to meet other standard application requirements, e.g., support for the application from local government and community entities.

³⁰ See Appendices B and C.

Generate more awareness of the BDD program throughout New York State

Only 13 of the 38 BDDs are located outside of NYC. This appears to be based on a lack of familiarity with the program. Consequently, the Banking Department will seek to increase awareness of the BDD program in upstate New York. The Banking Department is committed to ensuring that more communities in the state of New York have access to affordable and convenient banking services via the BDD program.

Investigate reconvening the Banking Development Working Group

In 2004, the Banking Department partnered with several state and NYC agencies to form a working group that focused on identifying NYC communities lacking bank branches. Eleven communities were identified by the group and NYC offered additional incentives to those banks that sought to establish a district in one of these communities. Known as “Enriched BDDs,” six of the eleven communities were designated by the Banking Department as BDDs. Reconvening the working group and developing additional incentives for banks may result in more BDD branches in NYC. Thus, the Banking Department will reach out to its former partners to discuss reviving the working group.

Other Issues

The Participation of Credit Unions in the BDD Program

By statute, credit unions are currently not eligible to receive municipal deposits. Participation in the BDD program is limited, also by statute, to banks, trust companies and national banks (which includes savings banks and savings and loan associations). Thus, to expand eligibility to participate in the BDD program requires changes in state law.

There are currently bills pending in the NYS Legislature (A04370/S 1782) that propose to amend the General Municipal Law to allow credit unions to accept and secure deposits from municipal corporations.

Should the General Municipal Law be amended, then the Banking Department would be inclined to advocate for a change in the Banking Law to expand eligibility for the BDD program to credit unions. However, credit union participation in the BDD program would require some restrictions to ensure that such participation would not unfairly disadvantage bank participants and to ensure that membership in the credit union would be available to a sufficient percentage of any proposed district.

V. CONCLUSION

The primary purpose of the Banking Development District program is to provide an opportunity for unbanked/underbanked New Yorkers and New York businesses to access affordable banking products and services.

The information gathered from the surveys, public hearings and annual reports establishes that the program is providing access to affordable banking products and services that would otherwise not be available in certain communities. However, some of the banks are lacking sufficiently affordable products for the communities they serve. Additionally, the synergy that should exist between the banks and the community does not seem to be in place, at least in the view of some community-based groups. Nevertheless, the feedback gathered from this review revealed no insurmountable obstacles to improving either the quality of the banking products or the relationships between the financial institutions and community stakeholders. Thus, the news is encouraging for the success of the BDD program.

It is hoped that, with the adoption of the changes outlined here, the program will continue to allow more consumers to move not only from unbanked to banked, but from mere account holders to asset builders and that small businesses will increase in number and profitability. To the extent that the BDD program can accomplish these goals, it will prove to be a very effective tool in promoting financial stability for underserved communities.

VI. APPENDIX

Appendix A	List of Current BDD Branches
Appendix B	Banking Law §96-d & Related Laws
Appendix C	General Regulations of the Banking Board, Part 8
Appendix D	Survey of the BDD Banks
Appendix E	Survey of Organizations in BDD Communities
Appendix F	Notice of Hearings
Appendix G	List of Persons who Testified & Testimonies

Appendix A – Current BDD Branches

As of April 2010, 38 BDD designations have been granted throughout New York.

- 25 are in New York City
- 4 are in Buffalo
- 9 are in areas outside Buffalo/New York City

New York City - 25 BDD Branches		
Brooklyn - 8 BDD Branches		
Designated	Bank	BDD Geography
January 31 2008	Amalgamated Bank	A portion of Sunset Park in Brooklyn.
September 4 2007	Amalgamated Bank	A portion of Bedford-Stuyvesant and Stuyvesant Heights in Brooklyn.
July 6 2007	Capital One Bank <i>(formerly North Fork Bank)</i>	A portion of Clinton Hill, Fort Greene and Bed-Stuy in Brooklyn.
May 22 2006	Cross County Federal Savings Bank	A portion of Greenpoint and Williamsburg in Brooklyn.
May 23 2005	TD Bank <i>(formerly Commerce Bank)</i>	A portion of Windsor Terrace, Borough Park, Kensington, Flatbush, E. Flatbush, Lefferts Gardens & Midwood in Brooklyn.
January 20 2004	City National Bank of New Jersey	A portion of the East New York section of Brooklyn.
October 10 2000	BANK CLOSED Carver Federal Savings Bank <i>(formerly Community Capital Bank)</i>	A section of Sunset Park in Brooklyn.
July 13 2000	Sovereign Bank <i>(formerly Independence Community Bank)</i>	A section of Red Hook in Brooklyn.
Bronx - 5		
Designated	Bank	BDD Geography
April 11 2008	Amalgamated Bank	Community Board 5 in the Bronx.
September 26 2006	Ridgewood Savings Bank <i>(formerly City & Suburban Federal Savings Bank)</i>	A portion of the Soundview area in the Bronx.
March 10 2006	Ridgewood Savings Bank	A portion of the Williamsbridge area of the Bronx as a BDD.
November 14	Citibank	Community Board 3 in the Bronx.

2000	<i>(formerly European American Bank)</i>	
July 31 2000	Hudson Valley Bank <i>(formerly New York National Bank)</i>	Community Board 1 in the Bronx.
Manhattan - 7		
Designated	Bank	BDD Geography
August 23 2007	Capital One Bank <i>(formerly North Fork Bank)</i>	A portion of East Harlem in Manhattan.
May 3 2006	Capital One Bank <i>(formerly North Fork Bank)</i>	A portion of the Lower East Side of Manhattan.
February 8 2006	Citibank, N.A.	A portion of Central Harlem in Manhattan.
January 5 2006	Banco Popular North America	A portion of the Lower East Side of Manhattan.
December 1 2005	Carver Federal Savings Bank	A portion of Northern Harlem in Manhattan.
July 24 2001	Amalgamated Bank <i>(formerly New York National Bank)</i>	Roosevelt Island in Manhattan.
March 9 2001	Carver Federal Savings Bank	A portion of South Central Harlem.
Queens - 3		
Designated	Bank	BDD Geography
September 18 2006	Amalgamated Bank	A portion of Long Island City in Queens.
March 7 2005	New York Community Bank	A portion of Corona Heights, Queens.
April 9 2004	Carver Federal Savings Bank	A portion of the South Jamaica section of Queens.
Staten Island - 2		
Designated	Bank	BDD Geography
July 21 2005	Victory State Bank	A portion of Stapleton and Rosebank in Staten Island.
December 16 2002	Victory State Bank	The St. George section of Staten Island.

Buffalo - 4		
Designated	Bank	BDD Geography
October 26 2006	First Niagara Bank	A portion of South Ellicott in Buffalo.
July 7 2006	M&T Bank	A portion of the Jefferson area of Buffalo.
December 15 2005	First Niagara Bank <i>(formerly Greater Buffalo Savings Bank)</i>	A portion of the West Side of Buffalo.
July 23 2002	First Niagara Bank <i>(formerly Greater Buffalo Savings Bank)</i>	The Masten District and a portion of the University District in Buffalo.
Other - 9		
Designated	Bank	BDD Geography
February 27 2008	City National Bank of New Jersey	Portion of New Cassel, Town of North Hempstead in Nassau County.
August 10 2007	Upstate National Bank	Town of Theresa in Jefferson County.
April 19 2006	Savannah Bank, NA	The Town of Mentz, in Cayuga County.
April 11 2006	Adirondack Bank	The Village of Holland Patent and a portion of Oneida County.
February 27 2006	Walden Federal Savings and Loan Association	The Town of Mount Hope, including the Village of Otisville.
September 1 2004	Pioneer Savings Bank	The Village of Green Island.
June 25 2001	The Lyons National Bank	The Village of Jordan, Onondaga County.
July 27 2000	BANK CLOSED Herkimer County Trust Bank	The Village of Oriskany in Oneida County.
April 8 1999	KeyBank <i>(formerly Union State Bank)</i>	A portion of Spring Valley in Rockland County.

Appendix B – Banking Law §96-d

NEW YORK STATE BANKING LAW

§ 96-d. Banking development districts

1. [Opening par. eff. until Jan. 1, 1999 and after Jan. 1, 2005. See, also, opening par. below.] There is hereby created a banking development district program, the purpose of which is to encourage the establishment of commercial bank branches in geographic locations where there is a demonstrated need for banking services. The banking board shall, in consultation with the department of economic development, promulgate rules and regulations, after public hearing and comment, which set forth the criteria for the establishment of banking development districts. Such criteria shall include, but not be limited to, the following:

[Opening par. eff. Jan. 1, 1999 and until Jan. 1, 2012. See, also, opening par. above.] There is hereby created a banking development district program, the purpose of which is to encourage the establishment of bank branches in geographic locations where there is a demonstrated need for banking services. The banking board shall, in consultation with the department of economic development, promulgate rules and regulations, after public hearing and comment, which set forth the criteria for the establishment of banking development districts. Such criteria shall include, but not be limited to, the following:

- (a) the location, number, and proximity of sites where banking services are available within the district;
- (b) the identification of consumer needs for banking services within the district;
- (c) the economic viability and local credit needs of the community within the district;
- (d) the existing commercial development within the district;
- (e) the impact additional banking services would have on potential economic development in the district; and
- (f) such other criteria which the superintendent in his or her discretion shall identify as appropriate.

2. A local government, in conjunction with a bank, trust company or national bank, may submit an application to the superintendent for the designation of a banking development district. The superintendent shall issue a determination on such an application within sixty days of receiving such application. If an application is approved, the superintendent shall transmit notification of such approval to the local government, the bank, trust company or national bank, the state comptroller, the commissioner of taxation and finance, the commissioner of the department of economic development, the temporary president of the senate and the speaker of the assembly.

2-a. Notwithstanding any other provision of law, an application may be submitted by a local government in conjunction with a bank, trust company or national bank which has already opened a bank branch within such area, provided such branch was opened after December thirty-first, nineteen hundred ninety-six. In considering the criteria authorized pursuant to subdivision one of this section, the superintendent shall also take into account the importance and benefits of preserving the banking services offered by the existing branch.

3. [Eff. until Jan. 1, 1999 and after Jan. 1, 2012. See, also, subd. 3 below.] The establishment of a branch in a banking development district by a bank, trust company or national bank shall be subject to all applicable state and federal laws regarding the establishment of branch offices, including the provisions of section one hundred five of this article. A bank or trust company may submit an application to open a

branch office simultaneously with the submission of the application for the designation of a banking development district.

3. [Eff. Jan. 1, 1999 and until Jan. 1, 2012. See, also, subd. 3 above.] The establishment of a branch in a banking development district by a bank, trust company or national bank shall be subject to all applicable state and federal laws regarding the establishment of branch offices, including the provisions of section one hundred five of this article, provided however that the branch application fee required pursuant to section twenty-nine of this chapter shall be waived for any such branch. A bank or trust company may submit an application to open a branch office simultaneously with the submission of the application for the designation of a banking development district.

4. For the purposes of this section, the term "local government" shall mean a county, town, city or village.

5. [Eff. Jan. 1, 1999 and until Jan. 1, 2012.] (a) Notwithstanding the provisions of subdivision two of section two hundred thirty-seven of this chapter; for the purposes of this section, paragraph c of subdivision two of section ten of the general municipal law, subdivision six of section one hundred five of the state finance law and section four hundred eighty-five-f of the real property tax law, any reference to a bank, trust company or national bank shall be deemed to include a savings bank, savings and loan association, federal savings and loan association or federal savings bank; provided, however, that such provisions of law do not grant a savings bank, savings and loan association, federal savings and loan association or federal savings bank eligibility to accept municipal or public funds or municipal or public moneys other than for the limited purposes of the establishment of a branch in a banking development district pursuant to this section. Any such municipal or public funds or moneys shall be deposited only at the branch established pursuant to this section, and any municipal funds or moneys may be deposited only by the sponsoring municipality in which the branch and banking development district are located; provided further that any such municipal or public funds or moneys shall be subject to the same requirements which apply to municipal or public funds or moneys deposited in a bank, trust company or national bank and shall also be subject to the provisions of section one hundred five of the state finance law or section ten of the general municipal law relating to such deposits.

(b) Notwithstanding any other provision of law, the banking board shall promulgate rules and regulations to authorize the participation of savings banks, savings and loan associations, federal savings banks and federal savings and loan associations in the program established pursuant to this section.

GENERAL MUNICIPAL LAW

§10(2)(c). General municipal law -- Deposits of public money; security

c. The governing board of a local government, in which a banking development district has been designated by the superintendent of banks pursuant to section ninety-six-d of the banking law, may designate a bank, trust company or national bank located in such district for the deposit of public funds, the disposition of which is not otherwise provided for by law, received by the chief fiscal officer or other officer authorized by law to make such deposits. Such designation shall be by resolution of the governing board or, in the case of a city, such other body as may be authorized or required by law to designate depositories. Such resolution shall specify the maximum amount which may be kept on deposit at any time with such bank, trust company or national bank located in such district. Subject to an agreement between such governing board and such banking institution, public funds deposited in such banking institution may earn a fixed interest rate which is at or below such banking institution's posted two year certificate of deposit rate. In those instances where there is such an agreement, its terms and conditions shall also be specified in the resolution. Any such designation, amount, or agreement provisions may be changed at any time by further resolution.

STATE FINANCE LAW

§105(6). State finance law -- Deposits in banks

6. The state comptroller, public authorities or public benefit corporations of the state, and the commissioner of taxation and finance may deposit public funds with a bank, trust company or national bank located in a banking development district designated pursuant to section ninety-six-d of the banking law. Subject to an agreement between such body or officer and such bank, trust company or national bank located in a banking development district, any such deposits made by the state or any of its public authorities or public benefit corporations may earn a fixed interest rate which is at or below such banking institution's posted two year certificate of deposit rate.

REAL PROPERTY TAX LAW

§ 485-f. Banking development districts

1. Real property altered, constructed, installed, or improved for use as a branch of a bank, trust company or national bank in an area designated as a banking development district by the superintendent of banks pursuant to section ninety-six-d of the banking law shall be exempt from taxation and special ad valorem levies by any municipal corporation in which located, for a period of ten years, provided that the governing board of such municipal corporation, after a public hearing, adopts a local law, ordinance, or resolution providing therefor.

2. Where such local law, ordinance, or resolution has been adopted, such real property which is used to establish a branch of a bank, trust company or national bank in a banking development district shall be exempt for a period of one year of fifty per centum of the "exemption base", determined pursuant to subdivision three of this section, and such exemption shall be decreased by five per centum each year during such additional period. A copy of such local law, ordinance, or resolution shall be filed with the state board and the assessor of such county, city, town, or village who prepares the assessment roll on which the taxes of such county, city, town, village, or school district are levied.

3. (a) The "exemption base" shall be the extent of the increase in assessed value attributable to such alteration, construction, installation, or improvement as determined in the initial year for which application for exemption is made pursuant to this section, except as provided in subparagraph (ii) of this paragraph.

(i) If there is subsequent alteration, construction, installation, or improvement during the term of the exemption, the exemption base shall be revised to include the increase in assessed value attributable to such alteration, construction, installation, or improvement.

(ii) If in any year a change in level of assessment of fifteen percent or more is certified for an assessment roll pursuant to the rules of the state board, the exemption base shall be adjusted by such change in level or assessment. The exemption on that assessment roll shall thereupon be recomputed, notwithstanding the fact that the assessor receives the certification after the completion, verification, and filing of the final assessment roll. In the event that the assessor does not have custody of the roll when such certification is received, the assessor shall certify the recomputed exemption to the local officers having custody and control of the roll and such local officers are hereby directed and authorized to enter the recomputed exemption certified by the assessor on the roll. The assessor shall give written notice of such recomputed exemption to the property owner, who may, if he or she believes that the exemption was recomputed

incorrectly, apply for a correction in the manner provided by title three of article five of this chapter for the correction of clerical errors.

(iii) The following table shall illustrate the computation of the tax exemption:

Year of exemption	Percentage of exemption
1	50
2	45
3	40
4	35
5	30
6	25
7	20
8	15
9	10
10	5

(b) No exemption shall be granted pursuant to this section, unless:

(i) the alteration, construction, installation, or improvement commenced on or after either the date the banking development district was designated by the superintendent of banks pursuant to section ninety-six-d of the banking law or, if specified in local law, ordinance, or resolution adopted pursuant to subdivision one of this section, the effective date of such local law, resolution or ordinance; and

(ii) the property is located in a banking development district designated by the superintendent of banks pursuant to section ninety-six-d of the banking law.

(c) For purposes of this section the terms alteration, construction, installation or improvement shall not include ordinary maintenance and repairs.

4. Such exemption shall be granted only upon written application of the owner of such real property on a form prescribed by the state board. The application shall be filed with the assessor of the county, city, town, or village having the power to assess property for taxation on or before the appropriate taxable status date of such county, city, town, or village. Such application shall be filed on or before the appropriate taxable status date of such assessing unit and no later than one year from the date of completion of such alteration, construction, installation, or improvement.

5. If the assessor receives an application by the owner of the real property and is satisfied that the applicant is entitled to an exemption pursuant to this section, the assessor shall approve the application and such real property shall thereafter be exempt from taxation and special ad valorem levies as herein provided, commencing with the assessment roll prepared after the taxable status date referred to in subdivision four of this section. The assessed value of any exemption granted pursuant to this section shall be entered by the assessor on the assessment roll with the taxable property, with the amount of the exemption entered in a separate column.

Appendix C – General Regulations of the Banking Board Part 8

§ 8.1 Explanation; Authority

The stated purpose of Chapter 204 of Laws of 1997, as amended by Chapter 526 of the Laws of 1998, is to encourage the establishment of bank branches in specially designated geographic locations, known as "banking development districts," where there is a demonstrated need for banking services. The establishment of a new branch by a bank, trust company, national bank, or, on and after January 1, 1999, by a savings bank, savings and loan association, federal savings and loan association or federal savings bank within such a banking development district should enhance access by consumers to banking services and promote local economic development. Underserved consumers may reside in urban or rural areas which may have different income levels, demographic characteristics and population densities. Regardless of an area's characteristics, it is anticipated that greater access to banking services will encourage the area's residents, who may have no banking relationships, to become part of the financial mainstream. It is further anticipated that the establishment of a bank branch will provide a foundation to stimulate the local economy by enhancing access to capital for local businesses. This will promote long-term economic development, foster job creation, and promote community stabilization and revitalization. As provided in section 96-d(5) of the Banking Law, savings banks and savings and loan associations authorized to participate hereunder, are further authorized to furnish security for any such deposits as they may receive under the banking development district program in the manner and to the extent authorized in the case of commercial banks and trust companies under such program.

§ 8.2 Definitions.

For purposes of this Part:

- a. Bank shall mean a state commercial bank or trust company, a national bank, savings bank, savings and loan association, federal savings and loan association or federal savings bank.
- b. *Alternative providers of banking services* shall mean licensed check cashiers, licensed money transmitters, licensed lenders and licensed mortgage bankers.
- c. Banking services shall include, but not be limited to, deposit taking, check-cashing, sale of money orders, origination of residential or commercial mortgages, consumer loans, and commercial loans.
- d. Branch shall mean a full-service branch.

§ 8.3 Criteria for approval

In determining whether to approve an application for the designation of a banking development district, the superintendent shall take into consideration the following criteria:

- a. The location, number, and proximity to applicant's proposed site of sites where banking services are available within the proposed banking development district.
- b. The location, number, and proximity to applicant's proposed site of sites where banking services are available within a reasonable distance of the proposed banking development district.
- c. The identification of consumer needs for banking services within the proposed banking development district.
- d. The economic viability and local credit needs of the community within the proposed banking development district.
- e. The existing commercial development within the proposed banking development district.

- f. The impact additional banking services would have on potential economic development in the proposed banking development district.
- g. The physical size of the proposed banking development district.
- h. The nature of the community to be served, including, but not limited to, the demographic and economic characteristics of the proposed banking development district.
- i. The financial condition and managerial ability of the applicant bank as determined by the appropriate bank regulator or other reliable sources.
- j. Compliance with all other applicable branching statutes and regulations.
- k. History of prolonged lack of service to the proposed banking development district.
- l. Such other criteria which the superintendent, in his or her discretion, shall identify as appropriate.

§ 8.4 Required information that must be included in an application to the superintendent for designation of a proposed banking development district.

A local government, in conjunction with a bank may submit an application to the superintendent for the designation of a proposed banking development district. The local government that applies for banking development district designation, may be different from the governing board of the municipal corporation which adopts a local law, ordinance or resolution implementing Section 105 of the New York Finance Law and Section 485-f of the New York Real Property Tax Law. The application shall include the following:

- a. Identification of the political subdivision in the State, whether county, town, city, or village, which shall constitute the proposed banking development district.
- b. In those instances in which the proposed banking development district is a portion of a political subdivision, identification of the census tracts as well as street boundaries which shall constitute the proposed banking development district.
- c. Evidence of the approval of the application by the governing board of the local government.
- d. Characterization of the proposed banking development district as urban or rural as such terms are defined by the United State Census Bureau.
- e. The number of residents of the proposed banking development district.
- f. Distribution of banking services: Provide, with regard to the following geographic areas:
 - 1. Within the proposed banking development district;
 - 2. Within the entire political subdivision if different from (1); and
 - 3. Within a reasonable distance of the proposed banking development district, such distance to be supported by a narrative justification:
 - i. The identification and location of all full-service branches of all banking institutions.
 - ii. The identification and location of all sites which offer both deposit-taking ATMs and ALMs.
 - iii. The identification and location of all alternative providers of banking services.
 - iv. The identification and location of deposit-taking ATMs (other than those sited at full-service branches).
 - v. The identification and location of non-deposit-taking ATMs (other than those sited at full-service branches).
- g. Income measures, including, but not limited to, per capita annual income and median household annual income of the proposed banking development district utilizing either the most recent

United States Census Bureau data or the most recent Department of Housing and Urban Development ("HUD") annual income estimates.

- h. Other economic indicators, where available, including, but not limited to, unemployment data, percentage of the population at or below the poverty level, percentage of the population at or below 200% of the poverty level, and percentage of the population receiving public assistance within the proposed banking development district. Unemployment data may be submitted for a political subdivision in which the proposed banking development district is located.
- i. Description of the public transportation systems and major roadways, if any, in the proposed banking development district. Maps and/or diagrams may be included in the description.
- j. Narrative establishing that a branch would be economically viable within the proposed banking development district if the statutory economic incentives are provided.
- k. Specification of whether the proposed banking development district or any portion thereof, lies within an area which has been designated as a New York State [Economic Development] Empire Zone or Enterprise Community or Federal Empowerment Zone or has received similar designation from any Federal, State, or local government entity;
- l. A narrative description of the natural and man-made geographic barriers, if any, that may impede physical access to existing banking services.
- m. A narrative description of the natural and man-made geographic barriers, if any, that may impede physical access to existing banking services.
- n. A narrative description of the distances and travel times from the applicant's proposed site to banking institutions and alternative providers of banking services both within the proposed banking development district and within the reasonable distance specified in section 8.4(g)(3) above.
- o. Affirmation by the applicant bank that it will not establish the proposed banking development district branch with the intention of closing or relocating any existing nearby branch or branches.
- p. Such other documents or information as the superintendent, in his or her discretion, may deem necessary.

§ 8.5 Optional information that may be included in an application to the superintendent for designation of a proposed banking development district.

An application for designation of a banking development district may also (and if the superintendent shall deem such information necessary to a determination, such application shall) include the following:

- a. a narrative description of the population demographics including, but not limited to, the following:
 - 1. Percentage of population age 64 and over;
 - 2. Percentage of population that is non-English speaking;
 - 3. Percentage of population consisting of minorities; and
 - 4. Percentage of population that is disabled.
- b. a narrative description demonstrating coordination of plans for the establishment of the proposed banking development district with other community initiatives;
- c. A narrative description of banking services which are available within the proposed banking development district or a reasonable distance as specified in section 8.4(g) (3) above.
- d. A narrative description of banking services which are not available within the proposed banking development district or a reasonable distance as specified in section 8.4(g) (3).

- e. A narrative description of local commercial establishments, including, but not limited to, the number of small, medium, and large businesses located in the proposed banking development district.
- f. A narrative description of significant recent local business developments, including, but not limited to, large corporate restructurings, plant closings, or recent or proposed business openings or expansions.
- g. Indications of community support or opposition for the application, as evidenced by letters from entities such as local chambers of commerce, local businesses, community-based organizations, non-profit organizations, government officials, or community residents.

§ 8.6 Other requirements

The requirements of this Part are in addition to any requirements established by the Department of Taxation and Finance and the New York State Comptroller with respect to the deposit of public funds and the New York State Board of Real Property Services with respect to real property tax exemptions that may be available to banks within a banking development district

Appendix D – Survey of BDD Banks

BANK INFORMATION

Name of Institution:

Name of BDD:

Address of BDD Branch:

Date BDD branch Opened for business:

Person Completing the Survey:

Title, email & telephone:

Date Survey Completed:

- 1. How did you first learn about the BDD program?** (check all that apply)
 - Banking Department
 - Current BDD branch or Bank
 - Media (please describe below)
 - Bank
 - Local Municipality
 - Other (please describe below)
- 2. Did you experience any difficulties during the application process?** (check all that apply and provide an explanation of the difficulties encountered).
 - Site selection (i.e. selecting boundaries, determining neighborhood, selecting actual branch location, etc.)
 - Soliciting support from the community and/or local government
 - Correspondence with the Banking Department
 - Completing the application
 - Correspondence with the Banking Department
 - Branch Opening
 - Challenges with Landlord
 - Hiring staff
 - Other
- 3. What tools did you use to assist with your assessment of community needs?**
- 4. Recognizing that funds are fungible, please describe how the branch has been using the BDD deposits since its designation. Provide as much specificity as to business plans and initiatives regarding lending and other programs being funded by these deposits.**

5. **What is the Bank's strategy for the BDD branch to reach profitability? Provide any available details regarding the branch's profitability analysis and the factors the Bank relies on to calculate profitability.**
6. **Other than monetarily, how has the BDD program benefited your branch? (i.e. frequent interaction with residents and/or businesses, ongoing conversations regarding innovative products to reach the unbanked, etc.).**
7. **Please list the names of the community groups you interact with on a regular basis. In addition, please note the frequency of contact (i.e. monthly, quarterly, yearly) and nature of the interaction for each community group listed, including:**
 - a. A description of the branch-sponsored programs and events the community group attends (i.e. homeownership courses, foreclosure prevention sessions, basic banking, etc.);
 - b. Whether the branch has provided loans, grants or monetary donations to further the group's mission or support community events sponsored by the group. Please describe the nature of the loans, grants or donations;
 - c. Whether the branch provides other non-monetary support for community sponsored events sponsored by the group. Please describe the nature of the events and non-monetary support provided; and
 - d. A description of any other regular interaction the branch has with the group.
8. **What unforeseen experiences has the branch encountered since its BDD designation?**
9. **Have you conducted any financial literacy programs within the District, including those directed to homeownership, foreclosure prevention and credit counseling?**

If not, why not? Do you have plans to develop a financial literacy component or are you interested in doing so?

If you have conducted financial literacy programs, please briefly describe the program(s), target audience and how well attended they were.

 - a. Do you have any best-practice recommendations?
 - b. What obstacles have you encountered?
 - c. Would you like to do more?
10. **Has the bank's assessment of consumer banking needs within the District changed since the BDD designation? Please describe.**
11. **What new products or services has your branch offered to consumers since becoming a BDD branch?**
12. **Describe how the branch has contributed to the commercial and economic development of the district.**

13. **Are there any specific changes you would recommend for the BDD program?**
14. **Do you have any other comments that you would like to share with us concerning the BDD program?**

THANK YOU FOR YOUR COOPERATION IN COMPLETING THIS SURVEY

Appendix E – Survey of Organizations in BDD Communities

ORGANIZATIONAL INFORMATION

Name of Organization:

Name of BDD:

Address of BDD Branch:

Person Completing the Survey:

Title, email & telephone:

Date Survey Completed:

1. **Please describe the type and frequency (i.e. monthly, quarterly, yearly) of interaction your organization has had with the BDD branch since it was established.**
 - a. If your organization has collaborated with the BDD branch to conduct financial literacy programs, please describe the nature of these events.
 - b. If your organization receives or received loans from the BDD branch to further the mission of your organization, please describe the nature of these loans.
 - c. Does branch staff provide volunteer hours at events sponsored by your organization? If so, please describe the nature of these events and the role that the branch played.
 - d. Has the branch provided grants or other monetary support for events sponsored by your organization? If so, please describe the nature of this support.
2. **In your opinion, how and what has the BDD branch contributed to residents, businesses and the overall community?**
3. **Based on your experience, please list the needs of the community and how, if applicable, the branch can assist with addressing these needs.**
4. **Please describe the changes (aesthetic, socioeconomic, etc.) that have taken place within the BDD community since the branch was designated a BDD branch.**
5. **Are there any specific changes you would recommend for the BDD program?**
6. **Do you have any other comments that you would like to share with us concerning the BDD program?**

THANK YOU FOR YOUR COOPERATION IN COMPLETING THIS SURVEY

Appendix F – Notice of Hearings



STATE OF NEW YORK
BANKING DEPARTMENT
ONE STATE STREET
NEW YORK, NY 10004-1417

March 3, 2009

NOTICE OF HEARING

New York State's Banking Development District Program

The New York State Banking Department ("NYSBD") is in the process of reviewing its Banking Development District ("BDD") program, which was created by the New York State Legislature in 1999 to encourage the establishment of bank branches in areas with a demonstrated need for banking services. BDD bank branches can help provide the services necessary to stimulate local economies by enhancing access to capital for local businesses, promoting long-term economic development, fostering job creation and promoting community stabilization and revitalization.

The first phase of the assessment included surveying participating banks and the communities they served, and the second phase is a series of four public hearings to provide the NYSBD with additional insight on the effectiveness of the BDD program and to hear ideas on how the program might be improved.

Hearings are scheduled from 1:00 p.m. to 4:00 p.m. on the following days:

- *Thursday, April 2, 2009* at the Adam Clayton Powell Building³¹
- *Monday, April 6, 2009* in Syracuse at the Oncenter Complex Center³²
- *Wednesday, April 8, 2009* in Saratoga at the Saratoga County Arts Council³³
- *Monday, April 13, 2009* in Buffalo at the True Bethel Baptist Church³⁴

The NYSBD seeks testimony on questions including, but not limited to:

- Should a newly proposed BDD be allowed to overlap geographically with a currently existing BDD?
- Should a bank purchasing a BDD branch be entitled to assume the BDD program benefits enjoyed by the previous bank owner?
- Should the initial subsidy of two years be extended?
- Should there be a limit on the number of times a BDD branch may seek to renew BDD deposits?
- Should banks already located in a BDD area receive below market rate deposits, and if so, under what circumstances and pursuant to what standards?
- Should there be a financial literacy component required for BDD branches?

³¹ Adam Clayton Powell Building – 163 West 125th Street, New York, NY

³² Oncenter Complex Center – 800 South State Street, Syracuse, NY

³³ Saratoga County Arts Council – 320 Broadway, Saratoga Springs, NY

³⁴ True Bethel Baptist Church – Banquet Hall - 907 East Ferry Street, Buffalo, NY

- Should the BDD program be extended to credit unions, and if so, pursuant to what standards?
- Are BDDs meeting the financial needs of the underbanked and unbanked residents within the District?
- From the bank and community perspective, what are the benefits of having a BDD in the community?

The NYSBD also seeks suggestions on the following:

- How to improve the BDD program.
- How to expand bank participation in the BDD program.
- Ways to better meet the needs of the unbanked and underbanked.

The NYSBD will receive testimony during the hearing and will issue aggregated findings after all of the hearings have been conducted.

Those interested in testifying at the hearing must submit a request-to-testify form to the NYSBD by mail: 1 State Street, Consumer Services Division, New York, NY 10004-1511; by email: ConsumerAffairs@banking.state.ny.us; or by fax: (212) 709-3582. This Notice of Hearing and the Request to Testify Form are available on the NYSBD website at www.banking.state.ny.us.

Oral testimony will be limited to eight (8) minutes in duration. Persons testifying must submit an electronic copy of their written testimony to the NYSBD by the following dates:

- New York City hearing by March 25, 2009;
- Syracuse and Saratoga hearings by April 1, 2009, and;
- Buffalo hearing by April 7, 2009.

Persons testifying also must bring five copies of their testimony with them on the day of the hearing.

In order to further publicize this hearing, please inform interested parties and organizations of the NYSBD's interest in hearing testimony from all stakeholders.

Interested parties may direct questions to NYSBD by phone: 212-709-1621, or by email: ConsumerAffairs@banking.state.ny.us.



Richard H. Neiman
Superintendent of Banks

Appendix G – Participants & Testimonies

New York City Hearing		
	Affiliation	Representative
1.	Amalgamated Bank	Erik Shumar, VP Community Development
2.	Carver Federal Savings Bank	Deborah C. Wright, President & CEO
3.	Coalition for Debtor Education	Barbara Kent, President
4.	Cross Country Federal Savings Bank	J. Antonio Quesada Assistant VP, CRA Officer
5.	Cypress Hills Local Development Corporation	Michelle Neugebauer, Executive Director
6.	Financial Service Centers of New York (The)	Jason Carballo, President
7.	Lower East Side People’s Federal Credit Union (Credit Union Association of NY)	Linda Levy, CEO
8.	Neighborhood Economic Development Advocacy Project (“NEDAP”)	Deyanara Del Rio, Associate Director
9.	Neighborhood Housing Services of New York City (“NHS of NYC”)	Janelle Greene, Director of Government & Community Relation
10.	NYC Comptroller’s Office	Comptroller William C. Thompson
11.	NYC Department of Consumer Affairs	Commissioner Jonathan Mintz
12.	New York Community Bancorp	Andrew Kaplan, EVP & Director of Financial Solutions Group
13.	New York National Bank	Michael J. Gilfeather, Executive Vice President
14.	NYS Assembly, 79th District	Assemblyman Michael Benjamin
15.	NYS Bankers Association	Karen L. Jannetty, VP of Communications and Community Affairs
16.	Ridgewood Savings Bank	Walter Reese, Senior VP
17.	Victory State Bank	Ralph Branca, President & CEO
18.	Pratt Area Community Council (PACC)*	Deb Howard, Executive Director
Buffalo Hearing		
	Affiliation	Representative
1.	Buffalo Urban League*	Brenda McDuffie, President & CEO
2.	Empire Justice Center	Kevin Purcell, Attorney
3.	Lyons National Bank	Robert Schick, President & CEO
4.	Niagara’s Choice Federal Credit Union	Al Frosolone, Manager & CEO
5.	Savannah Bank	Joseph Vitale, Vice President
6.	West Side & Black Rock NHS	Linda Chiarenza, Executive Director

Additional Submitted Testimonies		
	Affiliation	Representative
1.	City of Syracuse	Paul Driscoll, Director of Housing
2.	First Niagara Bank	Leisha Gordon, Vice President & CEO
3.	Home HeadQuarters	Kerry Quaglia, Executive Director
4.	Hudson River Community Credit Union	Sue Commanda, CEO
5.	Marketview Heights Association	Francisco Rivera, Executive Director
6.	Metropolitan National Bank	Michael Guarino, FVP, Operations Risk Management
7.	Pioneer Savings Bank	John Scarchilli, President & CEO
8.	Town of Elbridge	Ken Bush, Town Supervisor
9.	Village of Green Island	Sean Ward, Executive Assistant to the Mayor
10.	Village of Theresa	Timothy Tanner, Mayor

**The representative testified but did not submit a formal testimony to the New York State Banking Department.*