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Calling on banks to do more for neighborhoods

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City Hall hearing held on bill that would rank community involvement of deposit-taking institutions; trying to get more mortgage restructurings and less predatory lending.

The City Council held a hearing Monday morning before an overflow crowd on the recently introduced "Responsible Banking Act," which would create a ranking system of banks based on how responsive they are to the credit needs of the city's neighborhoods. The hearing was followed by a gathering of Council members, advocates and community residents on the steps of City Hall.

"This is a bill that already has a lot of support," said Benjamin Dulchin, executive director at the Association for Neighborhood and Housing Development, which helped create the bill. The measure was introduced last month by the chair of the Finance Committee, Councilman Domenic Recchia (D-Brooklyn) and Councilman Albert Vann (D-Brooklyn) with the support of Council Speaker Christine Quinn.

Sarah Ludwig, co-director of Neighborhood Economic Development Advocacy Project, reported that so many people turned up for the hearing that some of them had to be accommodated in another room.

The bill, which is called Intro 485, would require the Commissioner of Finance to establish a classification system that would rank city deposit-taking banks based on their community involvement. Some of the practices that the bill is trying to avoid include predatory lending and a failure to locate branches in working-class neighborhoods. In classifying banks, the Commissioner of Finance would also look at whether local banks work with borrowers to restructure delinquent home mortgages and whether they provide sufficient funding, including construction loans, for affordable housing and economic development projects in low- and moderate-income communities.

"The bill has a real straight-forward principle of public accountability," Ms. Ludwig noted, adding that it puts the spotlight on banks' practices. "Banks that are harming the community should not get deposits."

At least one city official, however, noted a key weakness of the bill—the fact that it fails to require the City Council to move deposits from low-ranked banks to higher-ranked banks.

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