

NATIONAL BANK CRISIS ECHOES ON LOCAL STREETS

Some residents will have farther to travel for banking services because of Washington Mutual's collapse, deepening the "underbanking" of certain areas.

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On W. Fordham Road in the Bronx, a corner space is for rent now that Washington Mutual bank closed. *Photos by Richard Caplan*

As the banking and housing crises have altered the city's landscape over the past half year, one visible change has been the closure of bank branches bearing the name Washington Mutual. And of the 299 WaMu branches closed nationwide since JP Morgan Chase bought the failed bank in September, 32 were in New York City, including at least 14 in low- or moderate-income census tracts.

While many WaMu locations remain open and will soon be rebranded as Chase, advocates worry that the closure of branches in lower-income neighborhoods of color – which mainstream financial institutions historically avoided – will have serious negative impacts.

Less local bank access “translates into reliance on informal and higher cost services,” says Deyanira Del Rio, associate director of Neighborhood Economic Development Advocacy Project (NEDAP), a citywide nonprofit. “Long lines, longer travel times, bus rides, and an overall increase in the cost to do banking” hurt the poor, seniors and the disabled most, Del Rio said.

Check cashers, payday lenders and other non-institutional financial services often fill the void in underserved neighborhoods, charging heavy check-cashing fees and higher interest on loans.

Some of the areas most underserved by mainstream banks are central and east Brooklyn, southeast Queens, and the south and northwest Bronx. (See this [map](#) for details.) The four WaMu branches closed in low-income census tracts are in Harlem, Inwood, the south Bronx and the northwest Bronx. Of the 10 closed branches in moderate-income tracts, one is in upper Manhattan, two are in Brooklyn, three are in the Bronx and four are in Queens.

“There are a lot more check-cashers [than banks in the Bronx], and the lines there are shorter,” says Greg Jost of University Neighborhood Housing Program, a Bronx non-profit that has studied the issue.

“Many families can’t afford the money it’ll cost to cash their checks” through a check cashing service, said Aga Trojniak of Flatbush Development Coporation in Brooklyn, who is concerned by the loss of a WaMu branch at 833 Flatbush Avenue.

And according to Oda Friedheim, an attorney in the Legal Aid Society’s Queens office, lack of easy access to traditional financial services helped make low-income homeowners ripe targets for predatory and non-institutional lenders. “There’s definitely some correlation” between lack of branch access and high-cost home loans, she said. Ironically, WaMu's subprime lending practices were a major contributor to its demise, which amounted to the largest bank failure in U.S. history.

While advocates are concerned about the effect of branch closures in poor communities, Chase spokesman Mike Fusco wouldn’t comment on that specifically. “WaMu and Chase customers will have more branches to choose from when all is said and done,” Fusco said.



Business was lively last Friday at this WaMu branch still open on E. Fordham Road.

This development is the latest wrinkle in a pattern of bank-access inequity around the boroughs. NEDAP’s citywide analysis shows that as of last June, Manhattan had 683 bank branches, or about one branch for every 2,379 residents. Staten Island had one branch per 4,734 residents. In Queens it was one for every 5,334 residents, while Brooklyn counted one branch for every 7,789 residents.

Jost says that after the WaMu branch closures, the number of branches in the Bronx dropped to 140 from 148. Though this is an improvement over 2006, when there were 136 branches, it will still leave the borough with the lowest ratio in the city – one scarce branch for every 9,942 residents. While the Bronx has one bank for nearly 10,000 residents, the national average is three banks per 10,000 people, [according to](#) the Federal Reserve Bank of Chicago.

For Joseph Ferdinand, a longtime resident of the Bronx's Mount Hope neighborhood, this means more frequent use of check cashers. "They're doing pretty good business with the fees they charge," said Ferdinand, adding that they tend to be more conveniently located than banks.

Lack of access to mainstream banks is not a new issue in low-income communities. The Community Reinvestment Act (CRA) of 1977 sought to end banks' practice of "redlining," or denying business to residents of low-income neighborhoods. As a result of the CRA, banks are subject to public review and can be sanctioned by government regulators for refusing to lend in poor neighborhoods. Enticements, in the form of improved CRA ratings and property tax breaks, encourage banks to expand into underserved areas.

Though branch access has expanded dramatically since the 1970s, some assert the CRA does not guarantee sufficient public involvement. Matthew Lee of Fair Finance Watch, a watchdog group, says that the public was denied the opportunity to comment on the Chase-WaMu merger because it occurred during a slew of bank failures and mergers. Chase "received all this money in bailout funds [\$25 billion] and used it to buy other banks," he said.

Kevin Mukri, spokesman for the Office of the Comptroller of the Currency, which regulates Chase, emphasized that the merger followed the law. "It happened very quickly, but it was not to benefit any one bank," Mukri explained, adding that the primary goals were to protect the FDIC insurance fund and consumers with accounts with FDIC protection.

According to Mukri, advocates concerned about branch closures should write to the OCC. "We can't prevent branch closings, because that's a business decision, but we can facilitate a discussion between the community and bankers who may not be aware of the potential" for a branch in that community.

Told of the OCC's offer to facilitate community-bank meetings, Jost commented that "that would be a good role for them to play, but I've never heard of it."

Meanwhile, some local groups are crafting their own responses.

Manny Velasquez, chairman of Manhattan's Community Board 12, which covers Washington Heights and Inwood, said that CB12 is holding forums to educate the public about the high cost of non-institutional banking and credit issues. "A lot of our residents go to check cashers, and those tend to be expensive," Velasquez said.

He added that the loss of WaMu branches – one of which was located on Dyckman Street, the heart of a heavily Dominican chunk of CB12's turf – is particularly disappointing because WaMu charged

customers fewer checking fees and penalties than many other banks.

The Association for Neighborhood and Housing Development (ANHD), a citywide coalition of housing groups, has requested a meeting with the leadership of Chase to discuss issues arising from the merger. "We intend to work with the bank to ensure the credit needs of residents in affected areas continue to be met," said ANHD policy director Dave Hanzel.

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