



STATEMENT

Of

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For

NEW YORK CITY BANKING COMMISSION

On

PROPOSED NEW YORK CITY DESIGNATED BANKS

MAY 25, 2023  
NEW YORK, NEW YORK

Thank you for the opportunity to comment today. I am Clare Cusack, President and CEO of the New York Bankers Association (NYBA). NYBA is comprised of the smaller community, mid-size regional, and large banks across every region of New York State. Together NYBA members employ 150,000 New Yorkers, safeguard over \$2 trillion in deposits, and extend nearly \$145 billion in home and small business loans. NYBA members also proudly support their communities through an estimated \$200 million in community donations and 500,000 employee volunteer hours.

We applaud the Commission for holding this public comment session on the City's fulsome and deliberate bank designation process so that there is better understanding of the needs for New York City in both protecting its taxpayer public monies and ensuring that the process is transparent for our residents.

First and most importantly, the designation process correctly focuses its priority on a bank's ability to hold deposits safely and soundly within fiscally responsible organizations. New York State law requires all municipal bank deposits to be fully collateralized, meaning that dollar for dollar, public taxpayer money is protected through the pledging of appropriate securities or other instruments such as letters of credit. Because of this, the City's deposits must be secured through this collateralization notwithstanding or in addition to FDIC insurance or guarantees of deposits by the Federal Reserve or U.S. Treasury. This ensures that these deposits are always protected despite any weakness in the financial system for any reason.

This Commission's task today is to seek to protect the City's money by placing it only in designated, financially secure banks through the eighteen requirements laid out in the designation process under Title 22 of the Rules of the City of New York. These rules provide transparency and accountability to the designation process.

As part of the Rules, New York City has importantly and appropriately (within its scope as a municipality within the dual chartered banking system) required additional information for potential designees that ensures designated banks are complying with federal laws regarding nondiscrimination in hiring and employment as well as equal credit opportunities for banking services to all customers in New York City. As an industry, NYBA members seek to comply with all State and federal laws, rules and regulations, and each one of our banks is highly regulated and frequently examined to ensure this compliance.

In addition, the City requires a bank to provide its most recent Community Reinvestment Act (CRA) rating from its State or federal regulator. New York City's banks proudly support this city through various community and philanthropic investment and volunteer activities, but none are more important than their CRA activities, which are also highly regulated and regularly examined.

The Community Reinvestment Act (CRA) is a law intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound banking operations, in helping meet the credit needs of its entire community.<sup>1</sup>

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<sup>1</sup> 12 U.S.C. 2901

According to recent data from the State's Department of Financial Services, CRA lending and investment has had a "notable, quantifiable impact" on communities. Specific to New York City, a recent study that analyzed the CRA activity of 25 large banks found that "those banks made more than \$4.9 billion in community development loans, more than \$2.1 billion in CRA eligible investments, more than \$70 million in CRA-eligible grants, and employed more than 400 dedicated community development staff." <sup>2</sup>

Cumulatively, CRA has produced reinvestment in New York City in the billions of dollars, led to thousands of community partnerships with banks, and has added to significant efforts to build and preserve affordable housing and community development. We know there is still more to do to improve CRA so that it can both continue to provide benefits to local communities but also strengthen and modernize its approach to help even more, particularly those in unbanked or underbanked areas. As CRA undergoes a new review by federal regulators, NYBA stands at the ready to support the City and our community partners in advocating for a renewed CRA that works towards a more equitable, inclusive and affordable banking system for all.

Finally, we note that bank data is highly transparent, and it shows that our banks are generally well capitalized, highly liquid, and remarkably diverse in size, geography, and business model. Every bank-from the smallest to the largest- has a critical part to play in our economy. New York is fortunate in that all types of banks are available here, to the benefit of New Yorkers. NYBA commends the Commission for considering banks of all sizes on its designation list today.

However, there are some banks who are ineligible for designation, yet they are an incredibly important part of our financial ecosystem. NYBA is proud to count among its members two great New York City banks: the largest black-owned financial institution and one of the oldest continually Black-operated banks in the United States, Carver Federal Savings Bank in Harlem, as well as the largest FDIC certified Hispanic-immigrant led bank on the east coast: the Bronx's own Ponce Bank. Both are mission driven certified community development financial institutions (CDFIs), and both pledge a remarkable 80 cents of every dollar back into their local communities.

Because of their importance to their specific communities, some of our largest banks have been assisting in their cause through additional funding, access to ATM networks and access to technology to bring greater access to these vitally important community banks. Unfortunately, due to what we believe to be outdated State laws, they are not eligible to take public deposits because they are excluded as mutual savings banks. We encourage you to join us in advocating that this law be expanded to include mutual banks, which are critical to the financial wellbeing of underbanked communities.

Thank you for this opportunity to provide comments and insights on this important matter.

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<sup>2</sup> See November 2018 letter from DFS to federal regulators re: "Reforming the Community Reinvestment Act Regulatory Framework" *available at*: [https://www.dfs.ny.gov/system/files/documents/2022/08/comment\\_letter\\_recomm\\_reinvestact\\_20181119.pdf](https://www.dfs.ny.gov/system/files/documents/2022/08/comment_letter_recomm_reinvestact_20181119.pdf)