

Testimony of Cesiah Mullane, Reinvestment Committee of Cypress Hills and City Line
Federal Reserve Bank of New York
June 25, 1998

Good Afternoon, members of the Board of Governors of the Federal Reserve Bank of New York. My name is Cesiah Mullane and I am a member of the Reinvestment Committee of Cypress Hills and City Line.

I have lived in Cypress Hills since 1957 and have spent a large part of those 41 years contributing to my community in every way I can, working on issues such as education, affordable housing, the prosperity of our business community and quality of life issues, all of which impact the stability of my neighborhood. I volunteer at the Cypress Hills LDC, our local Twelve Towns YMCA and my church. I am involved with our very young New Visions School, our Child Care Corporation, and the Cypress Hills Community Coalition, which succeeded in securing a zoning amendment to protect our residential blocks. I advocated for a new intermediate school, I.S. 171, for twenty years - a new school is being built right now, P.S. 7, to relieve the decades-long overcrowding on the "Northside" of East New York's School District 19 (Community Board #5). And once a year, on our "We Love Cypress Hills" Day, we hold a parade and street festival to celebrate our wealth of cultural and ethnic diversity and our successes, big and small. I am passionate about my neighborhood - that is where I live. Improving it is my life-long work.

The Reinvestment Committee of Cypress Hills and City Line was organized in May, 1992 after the Cypress Hills Local Development Corporation and the City Line Coalition published a joint housing plan for our communities that showed a deplorable lack of lending by our banks. For the past seven years, we have collected and analyzed HMDA data for the seven local lending institutions in our area (the northeast corner of Brooklyn, the "Northside" of Community Board #5) and met with representatives of these banks, including Citibank, to share our analyses and work cooperatively to increase lending. Cypress Hills and City Line are sister communities; their housing stock, populations, and economic status are quite similar.

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According to the 1990 Census, Cypress Hills (63%) and City Line (53%) are predominantly Hispanic communities. The residents of these two communities earn low to moderate incomes. In 1990, households in Cypress Hills and City Line earned median incomes of \$23,138 and \$25,318 respectively compared to \$29,832 for New York City as a whole. Hence, Cypress Hills and City Line households have incomes that are 78% and 85% of the City's median.

The Reinvestment Committee's membership consists of resident activists of Cypress Hills and City Line and staff and board members of the Cypress Hills LDC. For the past seven years we have analyzed HMDA data for our census tracts, brought together the seven local lending institutions that serve Cypress Hills and City Line to discuss their performance and ways they should increase lending, and worked cooperatively with our banks to meet the credit needs of area residents and businesses. We have convened five community forums on bank lending activity in their communities where Home Mortgage Disclosure Act (HMDA) data was reviewed and the Committee's concerns were discussed. Our concerns included a lack of affordable mortgage products offered by the local banks, a *laissez-faire* attitude towards marketing and outreach, and a lack of educational/homebuyer counseling services to support first time homebuyers. We requested that the smaller banks reinvest 1% of their deposits and that larger multinational lending institutions (e.g. Chemical - pre 1997, Chase, and Citibank) reinvest 5% of the local deposit base in mortgage, refinancing and home improvement loans. We also demanded expanded homeownership counseling services, marketing of and participation in affordable housing programs, increased outreach in our area of support of the Cypress Hills Local Development Corporation's mortgage foreclosure prevention efforts. The Reinvestment Committee has slowly turned around the redlining of our communities which took place in the 1980s. Our efforts have resulted in an increased lending, the start-up of a First Time Home Buyer Club with EAB, lending commitments totaling \$1.9 million from M & T Bank and Dime which have been fulfilled, financing of a housing rehab project, and an expansion of first time home buyer education seminars in Cypress Hills and City Line.

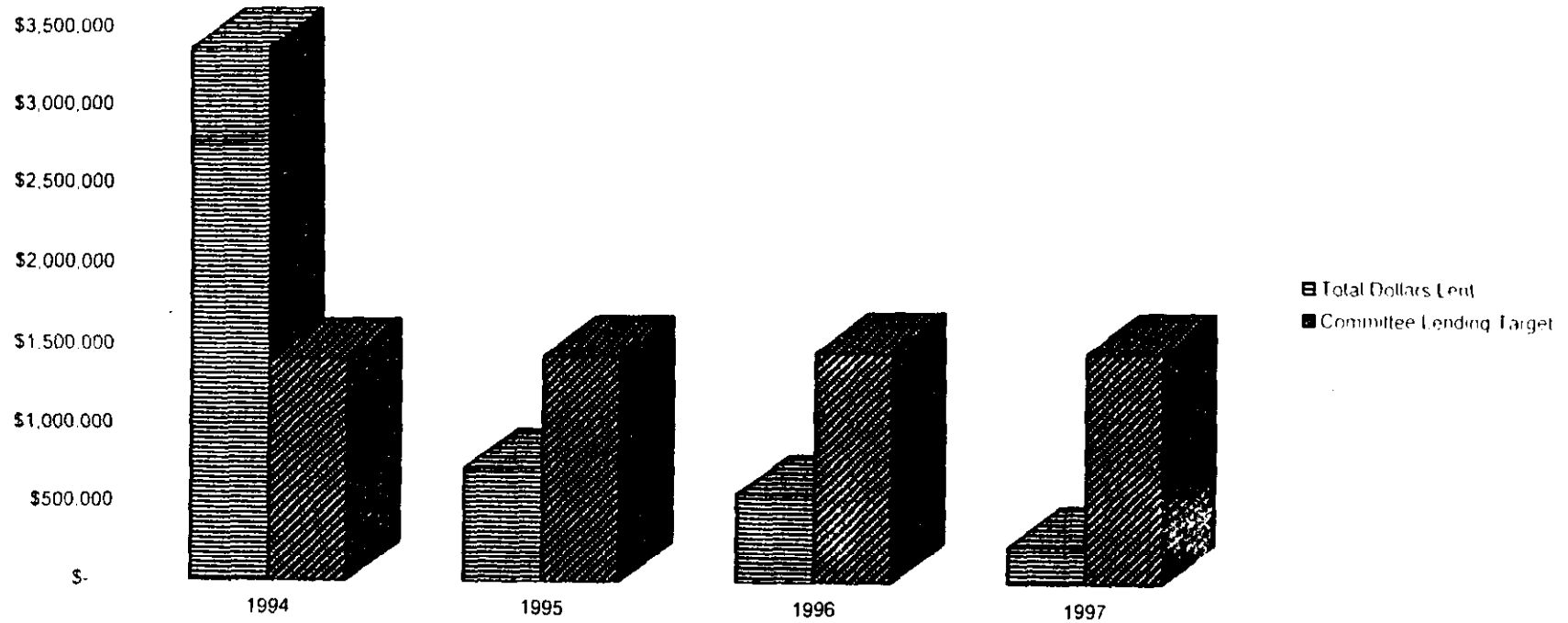
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A troubling sign for Cypress Hills and City Line is the lack of investment by local lending institutions in home mortgages and home improvement loans. Since 1995, Citibank's lending activity has fallen far short of the 5% reinvestment goal set up by the Committee. Citibank originated only 7 loans in 1995 for a total of \$717,000 - down from 31 loans in 1994 equaling \$3.4 million. In 1996, Citibank approved **no** home purchase loans in our 22 census tracts and had a **72% denial** rate for home improvement and refinancing applications submitted! 1997 saw the least yet, 8 loans for a total of \$235,000 (.81% of local deposit base). I believe these numbers speak for themselves!

To put these figures in context, and in relation to the goals set out by the Reinvestment Committee, I would like to mention the deposits this branch of Citibank has. The City Line branch has seen growth in its deposit base over these same years: in 1994 just over \$28 million in deposits were held; 1995 saw an increase to \$28,665,000; and 1996 (the latest year for this statistical information) saw another increase to \$29,129,000. A branch with increasing deposits and dramatically decreasing lending - Citibank is taking the money of my neighbors and using it to make other communities strong.

Citibank's lending record is dismal, although they have "pledged" to work on this through their lending commitment - by their own admission this translates into an 8-10% increase in lending for the New York City area. In my community, this is less than one home mortgage loan! Thank you.

Citibank Home Lending Activity in Cypress Hills and CityLine



Year	Total Number of Loans	Total Dollars Lent	Local Deposit Base (branch located at 1200 Liberty Ave)	Lending as a % of Local Deposit Base	Committee Lending Target
1994	31	\$ 3,362,000	\$ 28,188,000	11.90%	\$1,409,400
1995	7	\$ 717,000	\$ 28,655,000	2.50%	\$1,432,750
1996	5	\$ 557,000	\$ 29,129,000	1.90%	\$1,456,450
1997	8	\$ 235,000	?		\$1,456,450

Good afternoon staff and members of the Board of Governors of the Federal Reserve Bank of New York. My name is Michelle Neugebauer and I am the executive director of the Cypress Hills Local Development Corporation. The LDC was founded in May 1983 to revitalize the Cypress Hills community in northeast Brooklyn. Cypress Hills is a low and moderate income, predominately Latino, small homes neighborhood that is often referred to as the "Northside" of East New York. My organization is governed and staffed by people who live in the community and are dedicated to its health and stability. The LDC runs twenty programs focused on housing preservation, economic development and youth services - - the three greatest needs of our community. We have developed over 125 units of affordable housing in our area with \$11.6 million in public and private financing, renovated 129 store fronts on our commercial strip, secured over \$1 million in home improvement loans for Cypress Hills' homeowners, started a New Visions public elementary school and launched a child care initiative which has already created sixty jobs and provides care for 245 children in Cypress Hills and East New York.

Seven years ago, we joined with a neighboring community organization in East New York. The City Line Coalition, to form the Reinvestment Committee of Cypress Hills and City Line. My colleague and friend Cesiiah Mullane has just finished describing the purpose and activities of this committee. In addition to the concerns illustrated by Cesi's remarks I would like to share a synopsis of the LDC's relationship with Citibank.

Citibank has actively participated in The Reinvestment Committee and the work of Cypress Hills LDC by sending representatives to our annual Banking Forums, trying to find solutions to a rising mortgage foreclosure problem in Cypress Hills, giving financial support to establish the Cypress Hills - CityLine Mortgage Foreclosure Action Program, and training staff in mortgage

underwriting and financial packaging of economic development projects. Cypress Hills LDC has collaborated very closely with Citibank over the last two years through their "Partners in Progress" program. Citibank has provided us with technical assistance and a \$50,000 grant that will be used as equity in constructing a mini-mall on our commercial strip. The mini-mall will bring desperately needed goods and service to a desolate section of our shopping strip and create forty permanent jobs in Cypress Hills. We believe the community relations and community development staff of Citibank have genuinely listened to our concerns and the needs of our neighborhood and that the "Partners in Progress" program is a model to be replicated and built upon for this dialogue and the support required to make complex community development projects a reality.

We just wish that this concern could be translated into a change in lending performance, practices and policies by Citibank in our neighborhood and a specific commitment to meeting lending targets in our area. We want Citibank to maintain their full service branch in CityLine. This branch provides banking services to Liberty Avenue, an active commercial strip serving all of East New York, and the over 48,000 residents of Cypress Hills and CityLine. Our communities have large immigrant and elderly populations and we earn low and moderate incomes. We do not readily have access to technology nor are we comfortable with it to do our banking. As one of our residents said recently: "People in our neighborhood work so hard for their money, they want to actually touch it. They want to talk to a human being when they go to the bank. They want personal attention." In 1995 Citibank automated a branch close to our area in Starrett City and the change was fought unsuccessfully by our Community Board. In anticipation of Citibank possibly automating the CityLine branch we collected over 300 signatures on a petition to the CEO of Citibank demanding the branch remain a full service one. We are happy to report that Citibank respected the wishes of our community and we hope that they will continue to keep our branch open and staffed with people!

The Reinvestment Committee believes that Citibank needs to better serve Cypress Hills and CityLine by lowering their fees. Citibank has the highest minimum balance of any of the banks with branches in and close to Cypress Hills. The minimum balance required to avoid monthly

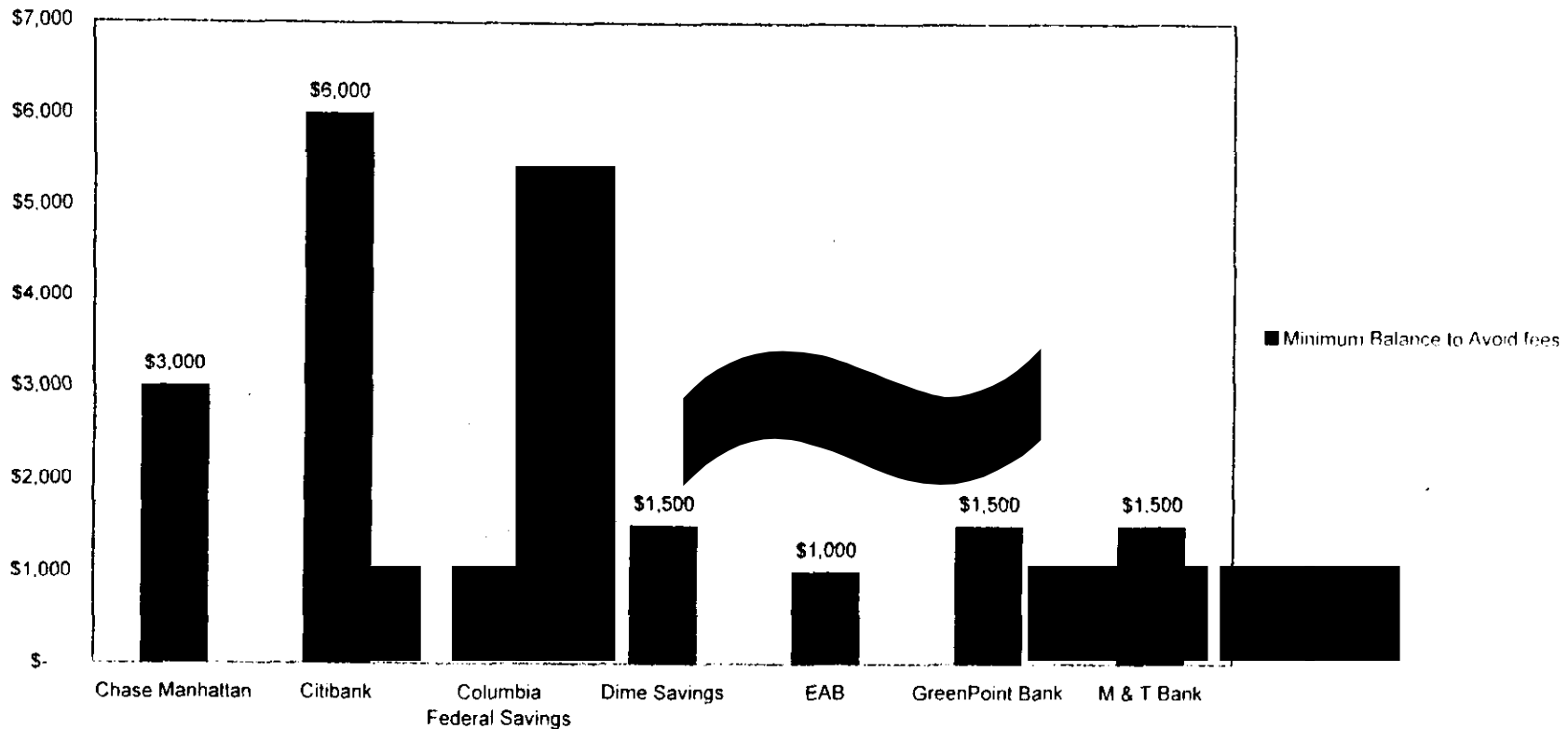
fees is twice as high as any other bank - with a requirement of \$6,000. Cypress Hills and CityLine are low to moderate income communities with 1990 median household incomes of \$23,138 and \$25,318 respectively that can ill afford these high fees and minimum balances.

To assist homeowners who are experiencing difficulty making their monthly mortgage payment. Citibank offers a local "On the Ground" team in New York City. Each borough has one Citicorp employee who staffs this team. The "On the Ground" team is supposed to work with the foreclosure and loss mitigation department of Citicorp - which is centrally located in St. Louis, Missouri. The Cypress Hills and CityLine experiences with this service to homeowners has been somewhat limited, yet frustrating. The St. Louis Office is rigid and has full authority to authorize or reject workout agreements, modifications, and refinancing applications. The "On the Ground" team adds one more step in the process of resolving possible mortgage foreclosures. The Cypress Hills Local Development Corporation which provides staff support to the Reinvestment Committee of Cypress Hills and CityLine offers a mortgage foreclosure prevention program. Anecdotal information from this program shows that it took over 5 months to evaluate an application for refinancing only to eventually reject it. The "On the Ground" team needs to have the authority to negotiate new terms with borrowers and refinancing so that homeowners can receive a quicker, more flexible and sensitive response as opposed to approvals having to go through Citibank's St. Louis division. Thank you for your attention to our concerns.

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As of May 1, 1998	Regular Checking		Interest Checking		Rate
Bank	Min to Avoid Fees	Monthly Fees	Min to Avoid Fees	Monthly Fees	
Chase Manhattan	\$3,000	\$9.50	\$3,000	\$12.00	0.90
Citibank	\$6,000	\$12.00	\$6,000	\$12.00	1.00
Columbia Savings	\$0.00	\$0.00	\$500	\$3.00	1.23
Dime Savings	\$1,500	\$8.00	\$2,500	\$10.00	1.00
EAB	\$1,000	\$12.00	\$2,500	\$14.00	1.00
GreenPoint Bank	\$1,500	\$9.00	\$2,000	\$10.00	1.25
M & T Bank	\$1,500	\$8.00	\$3,000	\$11.00	1.25

Minimum Balance Requirements of Banks in/near Cypress Hills and CityLine



Bank	Minimum Balance to Avoid fees	Monthly Fees
Chase Manhattan	\$ 300	\$ 9.50
Citibank	\$ 6,000	\$ 12.00
Columbia Federal Savings	\$ 0	\$ -
Dime Savings	\$ 1,500	\$ 8.00
EAB	\$ 1,000	\$ 12.00
GreenPoint Bank	\$ 1,500	\$ 9.00
M & T Bank	\$ 1,500	\$ 8.00

Good Afternoon staff and members of the Board of Governors of the Federal Reserve Bank of New York. My name is Jennifer Lee. I work for the Cypress Hills Local Development Corporation, in my role there I work with the Reinvestment Committee of Cypress Hills and CityLine. I have worked with this committee for over three years. The Reinvestment Committee has joined with other individuals and groups throughout the city to form the Citibank Travelers Watch.

The Cypress Hills Local Development Corporation and the CityLine Coalition joined forces in 1992 to form The Reinvestment Committee of Cypress Hills and CityLine to promote reinvestment in the East New York, Brooklyn communities of Cypress Hills and CityLine. For the past seven years we have collected and analyzed HMDA data for the seven local lending institutions in our area and met with representatives of these banks, including Citibank, to share our analyses and work cooperatively to increase lending.

I would like to take this opportunity to reiterate many of the concerns my esteemed colleagues Cesiah Mullane and Michelle Neugebauer have covered as well as bring some additional concerns.

My professional training is in social work administration, I am not a lawyer. However, from the understanding I have of the Glass-Steagall and Bank Holding Company Acts I do not understand how this application is legal. Glass-Steagall forbids a Federal Reserve member bank from affiliating with another company that deals in securities. Travelers deals heavily in securities - through Salomon Smith Barney and has announced plans to expand this activity by purchasing overseas investment companies. The Bank Holding Company Act explicitly forbids a bank holding company - which is what Travelers is applying to become - of dealing in insurance activities. Travelers is an insurance company primarily. If the law allows for two years to divest of these activities, where is the divestiture plan? They seem to be in expansion rather than contraction mode. If there is

no plan, I cannot understand how they plan to divest of such a large amount of their business activities in such a short period of time. It seems they are "banking" on the law changing within the next two years. I call on you as regulators to uphold the existing laws you are given jurisdiction over!

In the event that my understanding of the law is flawed and you find this new entity legal, I request that you consider the impact this may have. I speak about Cypress Hills and CityLine where I have worked for the past four years. Between 1995 and 1997 Citibank only originated 20 loans in Cypress Hills and CityLine for a total of \$1,509,000. This is less than one third the amount lent in 1994. In 1996 NO home purchase loans were approved for the 22 census tracts of Cypress Hills and CityLine and 72% of applicants for home improvement and refinancing loans were rejected! The Reinvestment Committee of Cypress Hills and CityLine have asked for the last several years that all major commercial banks in our communities reinvest 55 of their local deposits in affordable housing credit products. For Citibank this is equivalent to 5% of approximately \$30 million annually. Citibank has fallen short of this goal in every year since 1995!

Remarkably, the beginning of the decline in lending corresponds with Citibank's rash of downgrading to ATM centers and branch closings. Given Citibank's penchant for closing branches and converting full service branches to technology centers, the Reinvestment Committee of Cypress Hills and CityLine is wary of Citibank's assurances of maintaining services that will adequately meet the credit needs of the communities. Many seniors, new immigrants, and merchants use the branch located in CityLine. These consumers are not familiar with nor are they comfortable using technology with no human contact. Neighborhoods are unique and have different credit needs which cannot be addressed by a machine or by someone in another state half way across the country. As Michelle stated, full service banking is desperately needed in low income communities such as ours.

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Citibank has the highest minimum balance of any of the banks with branches in and close to Cypress Hills. The minimum balance to avoid paying a monthly fee is twice as high as any other bank - with a requirement of \$6,000. Cypress Hills and CityLine are low to moderate income communities with 1990 median household incomes of \$23,138 and \$25,318 respectively.

To assist homeowners who are experiencing difficulty making their monthly mortgage payment, Citibank offers a local "On the Ground" team in New York City. Each borough has one Citicorp employee who staffs this team. If Citibank is committed to increase its lending then it has to strengthen its own infrastructure in preserving the integrity of its lending by creatively working with homeowners who are facing financial crisis. The local "On the Ground" team must have authority to do this work.

Thank you for listening to my concerns.

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Year	Total Number of Loans	Total Dollars Lent	Local Deposit Base (branch located at 1200 Liberty Avenue)	Lending as a Percentage of Local Deposit Base
1991	43	4,909,000		
1992	25	3,049,000		
1993	14	1,345,000	29,311,000	4.5%
1994	31	3,362,000	28,188,000	11.9%
1995	7	717,000	28,655,000	2.5%
1996	5 (only home improvement loans)	557,000	29,129,000	1.9%
1997	8	235,000	29,129,000 (est.)	0.81%

As of May 1, 1998	Regular Checking		Interest Checking		Rate
	Min to Avoid Fees	Monthly Fees	Min to Avoid Fees	Monthly Fees	
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