



New York City Banking Commission

Testimony by Andy Morrison on behalf of New Economy Project

May 25, 2023

Good morning members of the NYC Banking Commission. My name is Andy Morrison, and I am the Associate Director at New Economy Project. Thank you for the opportunity to testify today regarding the designation of banks eligible to hold city deposits. Where the City places its public deposits is a fundamental matter of public concern. Our testimony will focus on how the City should use its considerable leverage to ensure that our public money works for the public good.

New Economy Project's mission is to build an economy that works for all, based on cooperation, neighborhood equity, social and racial justice, and ecological sustainability. We co-founded and coordinate Public Bank NYC, a citywide coalition of more than 50 community and labor groups and community development financial institutions (CDFIs) organizing to win a public bank for New York City.

New Economy Project commends the Banking Commission for taking steps to hold the City's designated banks "more accountable to the public."¹ The Commission is a powerful, but obscure, public body. Its infrequent meetings historically have been poorly promoted and closed to public input. As a result, decisions about where the City places billions of dollars of public money have been made largely out of public view.

Commission members were completely caught off guard, for example, when we and dozens of fellow New Yorkers showed up at this body's meetings in 2019 to demand that the Commission reject Wells Fargo's application for designation – based on the bank's egregious lending discrimination and disastrous environmental record. The Commission blocked us from speaking and proceeded to unanimously redesignate the scandal-ridden bank.

Public Bank NYC has long called on the City to democratize its bank designation process, as a key first step to establishing a municipal bank to hold city deposits and reinvest in communities. Last summer, the coalition leapt into action when Wells Fargo was exposed, yet again, for lending

¹ *NYC Banking Commission Announces Measures to Ensure City's Designated Banks More Accountable to Public*, at <https://www.nyc.gov/office-of-the-mayor/news/104-23/nyc-banking-commission-measures-ensure-city-s-designated-banks-more-accountable-to>

discrimination, this time against Black homeowners seeking to refinance their mortgages.² Coalition members again demanded that the city cut ties with the bank, and two weeks later, Mayor Adams and Comptroller Lander did just that.³ We urge the Commission today to reject Wells Fargo’s application for redesignation.

Today’s first-ever public hearing before the Commission is a welcome change, enabling community groups and everyday New Yorkers to provide input on where the City does its banking. We are also pleased that the Commission will now require that banks applying to hold city deposits submit detailed plans to prevent lending and employment discrimination in their operations.

At the same time, we remain concerned that, despite these reforms, the vast majority of city deposits will continue to be placed with big banks that engage in risky and abusive lending and other activities that run counter to the City’s policy objectives. The recently failed Signature Bank is a case in point. In March, *Gothamist* reported that the City had \$60 million of our public money on deposit with Signature when the bank collapsed.⁴ For years, advocates have sounded the alarm bell over Signature’s deliberate and widespread speculative multifamily lending to abusive landlords,⁵ which fueled tenant harassment and displacement in low-income communities and communities of color.

In fact, many of the banks entrusted with holding city funds are notorious for engaging in harmful activities, from predatory lending and redlining to fossil fuel finance. Since 2000, the city’s primary depository banks have racked up more than \$150 billion in fines and penalties for a host of unlawful and discriminatory activities.⁶

Four of the biggest banks holding New York City’s public deposits – Bank of America, Citi, JPMorgan Chase, and TD – pumped more than \$1.2 trillion in financing into the fossil fuel industry, between 2016 to 2022 alone.⁷ According to a recent report, “the City had more than \$515 million in Bank of America accounts and \$495 million in Chase accounts” on February 28 of this year – together representing more than three-quarters of the funds the City had in its standard deposit accounts on that day.⁸

² *Will NYC Bar Wells Fargo From Municipal Deposits After Alleged Discrimination Against Black Homeowners?*, at <https://www.thecity.nyc/2022/3/29/23002335/wells-fargo-black-homeowners-refinancing-nyc-contracts>

³ *NYC Cuts Off Wells Fargo From New Bank Contracts Following Discrimination Claims*, at <https://www.thecity.nyc/2022/4/8/23016957/nyc-wells-fargo-ban-adams-lander>

⁴ *NYC has \$60M in Signature Bank accounts, fueling calls for more scrutiny*, at <https://gothamist.com/news/nyc-has60m-in-signature-bank-accounts-fueling-calls-for-more-scrutiny>

⁵ *Public banking is a win for New York’s tenants*, at <https://citylimits.org/2023/04/19/opinion-public-banking-is-awin-for-new-yorks-tenants/>

⁶ *Wall Street’s Ongoing Crime Spree*, at https://bettermarkets.org/wp-content/uploads/2022/05/BetterMarkets_Wall_Street_RAP_Sheet_Report_052022.pdf

⁷ *Banking on Climate Chaos*, at <https://www.bankingonclimatechaos.org/>

⁸ *Which Banks Should Get to Hold NYC’s Billions in Cash?*, at <https://hellgatennyc.com/the-fight-for-nyc-public-bank>

On the surface, Banking Commission rules and procedures promote community reinvestment and the provision of fair financial services. Yet, the banks with which the City does business repeatedly have been shown to be failing to serve communities equitably – suggesting that either the rules are inadequate or the banks are largely beyond the Commission’s authority, or both. During the first year of the pandemic, to name just one example, the City’s designated banks siphoned \$1.3 billion in fees from New Yorkers, nearly two-thirds of which came from predatory overdraft fees, hitting banks’ lowest-income account holders.⁹ JPMorgan Chase – the bank that typically holds the most city deposits – was by far the worst offender, siphoning \$1 billion from struggling New Yorkers.¹⁰

New Economy Project has regularly published maps showing striking disparities in the distribution of bank branches throughout the City, notwithstanding state and federal laws that require depository banks to treat all communities that they serve equitably, within the bounds of safe and sound banking principles.¹¹ One in three New Yorkers – and more than half of Bronx residents – are among the so-called “unbanked” or “underbanked.” Households without a bank account are concentrated in neighborhoods with high poverty and unemployment rates; that are majority Black and/or Latino; and that have the least access to brick-and-mortar bank branches.¹²

We urge the Commission to use the full extent of its authority to ensure that public dollars work for the public good. However, as the above examples – and history – show, big banks invariably prioritize profit maximization over the interests of New Yorkers and NYC neighborhoods. Ultimately, we believe the best way to ensure that public money is reinvested locally in ways that advance the public interest is for the City to establish a public bank.

With a public bank, created by the City and chartered to serve the public interest, we can ensure that public funds are managed accountably for the benefit of all New Yorkers. A public bank would be regulated and independently managed by banking professionals with relevant experience and expertise. It would enable the City to leverage billions of dollars toward investments in affordable housing, small and worker-owned businesses, renewable energy, and other critical needs in low-income, Black, brown, and immigrant communities that the big banks routinely fail to serve.

We would welcome the opportunity to further discuss our vision for public banking with the Commission. Thank you again for the opportunity to testify today. Please do not hesitate to contact me with any questions: andy@neweconomynyc.org.

⁹ *New Analysis Shows Banks Drained \$1.7 Billion in Fees From New Yorkers’ Accounts During Pandemic*, at <https://www.neweconomynyc.org/2021/06/new-analysis-shows-banks-drained-1-7-billion-in-fees-from-new-yorkers-accounts-during-pandemic/>

¹⁰ *Ibid.*

¹¹ *Absence of Bank Branches in NYC Communities of Color*, at https://www.neweconomynyc.org/wp-content/uploads/2022/11/Branches_2022.pdf

¹² *Where are the Unbanked in NYC?*, at <http://on.nyc.gov/3hMU7VY>