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New York State Banking Department – Banking Development District Program Testimony

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I am pleased to present Amalgamated Bank’s experiences with the Banking Development District (BDD) program. Understanding the intent of the program, it was an easy decision for the Bank to commit itself to integrating the progressive, innovative, and community-based approach of the BDD program with the extant mission of the Bank; “to bring affordable banking and investment services to working men and women.”

In 2006, the Bank opened its first BDD branch in Long Island City. Since then, the Bank has opened three additional BDD branches in Bedford-Stuyvesant, the South Bronx, and Sunset Park (a total of four BDD branches). Amalgamated Bank has sought to deepen its impact in the communities served by establishing relationships with well-known and well established community-based organizations located inside the community. These organizations include, but are not limited to: the East River Development Alliance (ERDA) for the LIC BDD, Citizen’s Advice Bureau (CAB) for the Burnside BDD, the Fulton-Nostrand Merchants Association for the Fulton Street BDD, and Neighbors Helping Neighbors (NHN) for the Sunset Park BDD.

Overall, the Bank has found the BDD program to be important to its business model of expanding its retail branch network into low-moderate income (LMI) and “under-banked” communities. The following is a list of programs and endeavors that the Bank has accomplished either independently or in conjunction with our BDD community partners.

Current Successes Addressing Banking Needs

Financial Education

Amalgamated Bank offers a free financial education curriculum, “*Money Sense*,” that is designed to both deliver important information to individuals seeking to take control of their finances and to teach them how to use that information. *Money Sense* is offered in both “lunch-and-learn” type one-hour classes as well as longer, multi-module workshops.

The *Money Sense* curriculum meets individuals where they are in their lives and counsels them to deal with internal and external factors that affect individuals’ decision-making specifically as it pertains to spending, saving, and investing. As an added incentive, once an individual completes four “core” *Money Sense* modules, the Bank offers a \$50 cash bonus that can be applied to opening a new Amalgamated Bank account.

The Bank seeks to address an individual’s needs on a three-level platform for change:

- Help financially troubled individuals to rectify their individual situations
- Offer assistance to individuals to maintain a stable financial position
- Provide individuals the opportunity to grow their wealth

Using behavioral finance as the fundamental base to the *Money Sense* curriculum, Amalgamated Bank utilizes a cognitive behavioral, holistic approach that considers and addresses bio-psycho-social factors that affect an individual’s ability to make rational decisions as they pertain to his/her personal finances. The Bank offers a wide variety of workshops discussing the topics listed below. These topics can be arranged and combined differently in order to create workshops that best serve the needs of any individual or group.

- Psychology of Money / Behavioral Finance
- Goal Setting
- Spending Plan
- Banking
- Debt
- Credit
- Bankruptcy
- Identity Theft / Scams
- Investments and Retirement Planning
- Earned Income Tax Credit (EITC)
- First Time Homebuyer
- Foreclosure Prevention

Statement Savings and Standard Checking Accounts

Going well beyond the state's legally mandated limits for savings and checking accounts, Amalgamated Bank seeks to provide basic banking products that can accommodate any individual's financial situation. For example, responding directly to many individuals' inability to maintain high or consistent balances in their accounts, Amalgamated Bank allows individuals to open a Statement Savings Account with \$5 and a Standard Checking Account with \$.01. After opening the account, there are no minimum balances, monthly fees, or other requirements such as mandatory direct deposit or online bill-pay. Conversely, Amalgamated Bank offers cash incentives to individuals to enroll in direct deposit.

Allpoint Network of ATMs

Amalgamated Bank understands that our limited number of traditional brick-and-mortar, full service branches can pose an inconvenience to individuals who would like to have greater access to their money. Therefore, in combination with cash incentives to enroll in direct deposit, Amalgamated Bank offers access to over 18,000 ATMs in NYC alone and over 35,000 ATMs throughout the United States through its membership in the Allpoint Network. By having their paychecks directly deposited into their accounts, customers can then conveniently and safely access their money without charge at any ATM supported by the Allpoint Network. In conjunction with the Bank's no-fee accounts, individuals are presented a strong argument to utilize the services of the Bank rather than needlessly surrender up to 1.82% of their checks to a check-casher.

Second Chance Account

In an effort to help bank the un- and under-banked, Amalgamated Bank has introduced the Second Chance Account. Research has shown that approximately 20% of U.S. households are unbanked. Without a bank account, individuals are forced to seek alternative means by which to cash checks and make transactions. It has been estimated that Americans spend over \$13 billion each year on alternative financial services transactions. Although the reasons behind becoming unbanked are many and various, the main reasons fall within one of three main categories:

1. Cultural factors
2. Misconceptions about banks and banking costs
3. Regulatory constrains (such as Chex-Systems)

The Second Chance Account has been designed to help bring back into the fray individuals who have learned from previous mistakes. It is an account for people who want to learn more about banking and become an active part of the banking system. In order to be eligible for the Second Chance Account, an individual must meet the following criteria:

- No history of FRAUD – Any fraud is an automatic denial
- Allowance for “Closure for NSF Activity”
- Requires a successful match on ID, SSN, name, address, DOB, and license
 - If address does not match, the customer needs to show proof of address (utility bill, etc.)
- No more than two “Paid Closures”
- Total “Unpaid Closures” cannot exceed \$75
 - If there is no amount listed, no account will be issued
- No accounts can be issued to an individual for whom there is a fraud alert unless he/she can sufficiently prove his/her identity

Additionally, any eligible individual will also need to complete the core curriculum of *Money Sense* before an account is issued. Like all other graduates of *Money Sense*, Second Chance Account holders will receive a \$50 credit towards their new Amalgamated Bank account. After one year of successful use, the Second Chance Account customer will be upgraded to a Standard Checking Account and/or Statement Savings Account.

NYCHA Rent Payment Program

In 2008, the Bank entered into an agreement with the NYC Housing Authority (NYCHA) to accept rent payments at the LIC BDD branch from NYCHA residents located in Queensbridge and Ravenswood Houses in order to help bank the un-banked. As part of this effort, the Bank has partnered with the East River Development Alliance (ERDA) to provide financial education workshops to NYCHA tenants who are then encouraged to establish bank accounts at the branch so that future rent payments can be made through checking account auto-deduct.

The purpose of the NYCHA Rent Payment program has been to provide NYCHA tenants residing in nearby Ravenswood and Queensbridge houses with banking products and services that are more affordable than using the services at the local check-cashing establishments. Since the NYCHA remote capture program began in October 2008, 60 new accounts have been opened at the LIC BDD Branch.

New York City Initiatives

In addition to the above listed Bank initiatives, Amalgamated Bank is also an active participant in the Volunteer Income Tax Assistance (VITA), \$ave NYC, and Opportunity NYC programs.

Challenges Faced in the BDD Program

Thus far, Amalgamated Bank has enjoyed a great deal of success with the BDD program. Although none of the BDD branches have become profitable yet without the BDD deposits, they are all meeting or exceeding goals set forth by a five-year pro forma for profitability. State BDD deposits at below-market value have been invaluable in supporting the BDD branches until they can become profitable in the next few years. However, one difficulty that the Bank has encountered is the way in which it is required to collateralize the deposits. Currently, Amalgamated Bank collateralizes the deposits with a Letter of Credit backed by securities held at the Federal Home Loan Bank (FHLB). By collateralizing with the FHLB, a portion of Amalgamated Bank's assets are unavailable to be used for other purposes. Additionally, 1/8 of a point of the face value of the Letter of Credit is given to the FHLB in order to receive the Letter of Credit to pledge securities. The Bank feels that there may be a better means by which to collateralize the public funds being held as BDD deposits.

Recommendations for the BDD Program

1. In order to first address the issue of collateralizing State BDD deposits, Amalgamated Bank suggests that it be allowed to hold the public funds in a NOW Account. By placing the funds into a NOW Account, the Bank would be able to both provide the special interest rate for BDD deposits as well as fully collateralize the funds under the FDIC. With deposits in a NOW Account, the Bank could free up its assets and avoid paying the 1/8 of a point to the FHLB.
2. Amalgamated Bank would also like to reiterate its support to allow geographic overlap with a currently existing BDD in LMI neighborhoods that are still “under-banked,” such as the South Bronx.
3. The Bank believes that if a bank purchases a BDD branch, the purchaser should be entitled to assume the BDD program benefits enjoyed by the previous bank owner assuming that the purchaser submits a modified BDD application to the NYSBD.
4. It is the Bank’s position that the initial two-year subsidy should be extended to an appropriate length of time as is specified by the original or revised branch financial pro forma. Subsequent to the end of the initial subsidy, the Bank believes that BDD deposit renewals should be based on actual branch financials and Profit & Loss Statements.