

**Testimony of Deborah C. Wright
 President & Chief Executive Officer of Carver Federal Savings Bank
 Before the New York State Banking Department
 Regarding Review of the Banking Development District Program Process**

April 2, 2009

Good Morning. My name is Deborah Wright, and I am Chairman & Chief Executive Officer of Carver Federal Savings Bank, a leading community development bank which is celebrating its 60th anniversary. I am delighted to add my support and share my experience with the BDD program which is one of the country's most innovative strategies to expand financial services to inner city communities.

Carver is the only African-and Caribbean-American managed bank in New York State and with assets of \$790 million, we are the largest in America. Nevertheless, Carver is a very small institution in the context of the mega financial institutions based in New York City. Our branch network since my last testimony in June 2003 has grown from 5 to 9 branches in Harlem, Brooklyn and Queens. Our core mission is to provide banking services in inner city communities.

Currently, Carver has 4 participating branches in the Banking Development District Program:

Branch	Date BDD Branch Opened	BDD Deposit Amount As of 02/28/09**	Core Deposits w/o BDD Dollars as of 02/28/09
Jamaica Center	February 2004	\$45MM	\$10.6MM
Malcolm X Blvd*	August 2001	\$15MM	\$30.8MM
Sunset Park	October 2000	\$22MM	\$12.1MM
Northern Harlem	January 2005	\$35MM	\$ 4.3MM

*The Malcolm X Boulevard branch with the assistance of the BDD program was able to breakeven in April 2007

**Total BDD Deposits is \$117MM. Of this deposit number \$87MM is from the State and \$30MM is from the City.

Carver has been a participant in the BDD program for the past 8 years during which time we have been successful in achieving the following:

- The Carver Financial Literacy Center was opened where financial literacy seminars, financial empowerment workshops and one-on-one counseling are provided. With the support of the Treasury Department's CDFI Fund, and our partners, NHS and HCCI, we have counseled over 6,000 people over the last three years.
- Carver has partnered with New York City Housing Authority to provide tenants living in units owned by NYCHA the convenience of making their rent payments at designated branches of Carver. This pilot represents the hope of encouraging NYCHA residents to move from "unbanked" to "banked".

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- Carver participates in Opportunity NY, a 3 year pilot program offered by New York City's Office of Financial Empowerment to unbanked families in New York. We have opened 69 accounts with families.
- We've recently revamped Carver Mortgage Company and now offer an expansion of the residential loan products and services we provide our customers and greater efficiency in our retail mortgage business, faster approvals, streamlined documentation requirements for qualified applicants, competitive rates and access to loan processing status 24 hours a day, seven days a week. Customers have the ability to apply for a loan via their channel of choice: branch offices, phone, or starting an application via internet.

New York State Banking Department Questions:

- **Should a newly proposed BDD be allowed to overlap geographically with a currently existing BDD?** – Yes as this will enhance competition, density and convenience in the BDD area.
- **Should a bank purchasing a BDD branch be entitled to assume the BDD program benefits enjoyed by the previous bank owner?** – Yes, by doing this there will remain a continuity of service provided.
- **Should the initial subsidy of two years be extended?** – Yes, the subsidy should be extended indefinitely, upon documentation of need.
- **Should there be a limit on the number of times a BDD branch may seek to renew BDD deposits?** – No, upon documentation of need.
- **Should banks already located in a BDD area receive below market rate deposits, and if so, under what circumstances and pursuant to what standards?** – Yes, upon application with the State and City and agreement with relevant conditions.
- **Should there be a financial literacy component required for BDD branches?** – Yes as it strengthens the community.
- **Should the BDD program be extended to credit unions, and if so, pursuant to what standards?** – No. The cost structure of credit unions is substantially lower than banks. For example, the tax structure favors credit unions. In addition, the product and other service offering of credit unions, is in some geographies, not as robust as most banks.
- **Are BDDs meeting the financial needs of the underbanked and unbanked residents within the District?** – Some needs are being met, namely banking products and financial literacy seminars and hands on assistance. However, the banking industry has more work to do, with the help of local and federal banking and other agencies, to assist banks in providing the transaction products and services required by the unbanked (remittances, check cashing, etc.)
- **From the bank and community perspective, what are the benefits of having a BDD in the community?** - The savings capacity of many neighborhoods in our City is below levels required to support the significant infrastructure required to profitably open and sustain a bank branch. As all banks have shareholders that require certain standards of return, this gap must be filled by government. A branch presence, supported by BDD assistance, can provide the most visible and concrete way to encourage community resident to take advantage of banking products and financial

literacy offerings. This presence can lead to growth opportunities for new business expansion for banks via loans, conveniently and competitively priced products and services for consumers, including ATM's mortgages and other products and services.

Suggestions to the NYSBD on the following:

- **How to improve the BDD program** – The City and State are encouraged to recognize that poverty alleviation requires sustained investment. As currently structured, banks are owned by private investors which require a path to profitability. In contrast, communities inhabited by a significant portion of poor residents, have limited savings capacity. City and State deposits stand in that breach. As such, the program's time deadlines should be relaxed and judgments around which branches should be supported should reflect actual results of the branches in terms of deposits and fees attracted.

Second, the collateral requirements for BDD deposits should be expanded to reduce the related costs. Examples include CDARS as offered by Promontory. This is an association of community banks that share large deposits so that 100% of the amount deposit received FDIC insurance.

Third, reduce the rate or cost of City and State deposits. Few, if any bank branches in BDD areas are substantially profitable. The lost interest to the City and State to support branch development in inner city communities is negligible.

Fourth, streamline annual review and coordination between the City and State, to renew deposits. Quarter end processing has been an issue at Carver. Annual reviews would be enhanced by a conference call in advance to discuss objectives and content of questions.

Finally, the City and State should consider banks with BDD investments their "preferred banking partners", proactively moving beyond BDD deposits to encourage their agencies and related non-profits working in BDD communities, to bank with participating banks. Fee generating business should be considered as well (lock box contracts with various agencies with impact in the inner city, for example).

- **How to expand bank participation in the BDD program** – Expanding incentives as recommended will increase interest. In addition, communicating more broadly the success stories of participating banks would be helpful.
- **Ways to better meet the needs of the unbanked and underbanked** – The City and State should encourage the development of products and services, many of which are provided by alternative providers such as retailers and check cashers: "second chance" bank accounts; remittances; prepaid debit cards; and payment services, all provided at competitive costs. Development of this product set is difficult for small institutions, while carrying an unprofitable branch.