

Assemblyman Michael Benjamin

Statement

New York State's Banking Development District Program

I would like to thank the members of the New York State Banking Department for holding this hearing, for what I believe is an important issue affecting underserved communities. As Assemblyman for the 79th District, I have firsthand experience of the positive influence that Banking Development Districts have for communities without established banking institutions. Banking Development District branches help to provide the services needed to stimulate local economies, provide access to capital for local businesses, promote long term development, foster job creation and promote community stabilization and revitalization. For these reasons, I support an expansion of the Banking Development District program to allow an overlap of our current districts. This move will allow additional banks to enter our communities and strengthen the financial literacy of more New Yorkers.

In the Assembly, I co-prime sponsor legislation which will establish multiple branches in an existing banking development district. The legislation, which passed in the Assembly and Senate during this current session, is presently awaiting action by the Governor. If this important legislation is signed into law, it will allow a second bank to open in the Morrisania banking development district.

This action will make a substantial difference because the single Citibank branch located in Castillo Plaza is too far away from the underserved community in Claremont Village.

The legislation specifically changes the current law by eliminating the previous impediment that allowed only one branch per district. Since the aim of BDDs is to enhance access to consumers who have no previous banking relationships, adding an additional branch will considerably impact the financial literacy for residents in the 79th Assembly District. If more branches are accessible to these communities, it will have a positive impact on our local economy.

If the current BDD legislation is signed by the Governor, additional BDD branches that are approved should have their initial subsidy of two years extended to increase their overall effectiveness. Banks purchasing an existing BDD branch should also be entitled to assume the benefits previously enjoyed by the former bank owner. Any limitations on the number of times a BDD branch may seek to renew BDD deposits should be determined by the State Banking Department, according to their information on current branches.

In order to increase the effectiveness of current and future BDD branches, I would recommend allowing banks currently located in a BDD to receive below market rate deposits. The circumstances for allowing below market rate deposits

should be reviewed by the Banking Department to accommodate areas that are in desperate need of additional loans.

For BDD branches to fully realize their intended goal of facilitating banking in underserved communities, branches should offer a financial literacy component to young adults. The approved branches should provide opportunities for young working people to experience the full options available to them at banks. This should include the proper methods to deposit checks, how to monitor their banking accounts, and methods to save effectively. These programs, if enacted, would go a long way in helping to teach BDD communities on the importance of being financially literate.

After advocating for an additional BDD branch in the 79th Assembly District since the program's inception, I am certain that this initiative would be more effective if additional branches were added. The current location of the BDD branch in my district is in the wrong location, leaving thousands of individuals without a convenient banking destination. In some areas, residents are over two miles away from a legitimate banking institution. If additional BDD branches were established, underserved communities around New York State would be able to have accessible locations to deposit their money and receive loans. People deserve to have access to credit and safe banking locations. These actions will

facilitate a drastic increase in the financial literacy of my district, while increasing the amount of loans available to local businesses.

The solution to improving the BDD program is simple. We need to facilitate the expansion of the program to include multiple branches in established districts.

This will allow greater access to more people, which will meet the needs of all underbanked communities. In the coming weeks, I will urge the Governor to sign the BDD expansion bill in order to promote economic development, which is especially needed during these challenging times.