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MINORITY BANKS IN NEW YORK CITY: IS THE COMMUNITY REINVESTMENT ACT RELEVANT?

TARRY HUM, PH.D.*

INTRODUCTION

The United States has a long history of minority banks formed to meet the credit needs of populations excluded from mainstream financial institutions. Minority banks continue to be a prominent part of locally-based economic landscapes, but their record in individual asset building (e.g., homeownership) and community economic development is uneven at best. A recent example is Massachusetts-based OneUnited Bank, established by African Americans to underwrite the revitalization of urban poor neighborhoods. A long time advocate of minority banks, Congresswoman Maxine Waters is now a focus of a Congressional ethics committee inquiry on charges that she used her influence to arrange a meeting between OneUnited Bank representatives and US Treasury Department officials. While the media has covered extensively Congresswoman Waters' close personal ties to OneUnited Bank, what may be of greater consequence for African American communities is the nominal number of bank loans for community improvement.¹

In addition to an uneven role in community development, the demographic composition of minority banks has transformed in the past decades. Minority-owned banks are defined as federally insured depository

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¹ A sample of news articles include: E. Scott Reckard & Stuart Pfeifer, *Bank at Center of Rep. Waters Inquiry Has Checkered Past*, L.A. TIMES, Aug. 12, 2010, at AA1, available at <http://articles.latimes.com/2010/aug/12/business/la-fi-bank-waters-20100812>; Beth Healy, *Black-Owned Bank Has Few Urban Loans*, BOSTON GLOBE, Apr. 15, 2009, at 1, available http://www.boston.com/business/articles/2009/04/15/black_owned_bank_has_few_urban_loans/.

institutions where at least 51% or more of the voting stock is owned by minority individuals defined as Black Americans, Asian Americans, Hispanic Americans, or Native Americans. Once dominated by Black-owned banks, the largest and fastest growing segment of minority banks are owned by Asian Americans and Hispanic Americans serving majority immigrant neighborhoods. While there is no comprehensive official list or enumeration of minority banks, an independent research firm finds a total of 239 minority banks in 2009 (refer to Table 1).² Even though minority banks represent a very small share of total banking institutions in the US (approximately 2%), the trend in the past few years is overall growth particularly for Asian American and Hispanic American banks. In contrast to African American banks (and women-owned banks) whose numbers dropped in past years, the number of Asian American banks not only has increased, but the Asian share of all minority banks has also grown such that by 2009 they represented 41% of all minority banks.

My paper examines the dominant presence of Asian banks in New York City's immigrant neighborhoods. Distinguished by high levels of Asian and Latino working poverty, Manhattan Chinatown-Lower East Side and Brooklyn's Sunset Park are also neighborhoods defined by outstanding needs for affordable housing, economic opportunities, and workforce development. Compared with other low-income neighborhoods typically underserved by financial institutions, Asian immigrant neighborhoods pose a paradox because of the high concentration of banks. Manhattan Chinatown exemplifies this paradox.³ In a neighborhood with a poverty rate that exceeds the city-wide average due to longstanding immigrant niches in low-wage service jobs and a rapidly diminishing downgraded manufacturing sector, there are 58 bank branches with deposits totaling \$8.9 billion dollars in June 2008 comparable to a midtown business center. This institutional landscape raises questions such as: does the exceptional bank density indicate that immigrant Asians and their communities are well served by financial institutions? Are banks meeting the credit needs of low and moderate income households? Is the 1977 Community Reinvestment Act (CRA) relevant in advancing fair credit and community development for Asian immigrants?

² See Creative Investment Research, Inc., www.creativeinvest.com/about.html (last visited Jan. 21, 2011).

³ See *infra* Table 2, which ranks Manhattan zip codes based on the size of bank deposits and the poverty rate in 2000. Chinatown is highlighted because it is a neighborhood with relatively high poverty rates and is also a site of high volumes of bank deposits even when compared with Manhattan business centers.

Utilizing a variety of public data resources available from the Federal Deposit Insurance Corporation (FDIC) and Federal Financial Institutions Examination Council (FFIEC) including home mortgage lending data, bank loan portfolios, and CRA evaluations, this paper examines the lending practices and economic development activities of Chinese ethnic banks—both Chinese-owned banks based in the US and foreign bank branches in New York City. The empirical analysis substantiates that banks are prominent in NYC's largest immigrant Asian neighborhoods—Manhattan Chinatown-Lower East Side, Flushing, Queens, and Sunset Park, Brooklyn. Although Asians are a fast growing segment of homeowners, ethnic banks are not the primary sources of home mortgage loans for Asian New Yorkers. With few exceptions, namely local Chinese-owned community banks such as Abacus Federal Savings Bank and Chinatown Federal Savings Bank, the top mortgage lenders to Asians are mortgage companies and large mainstream banks.

This paper finds that Chinese bank loans are concentrated in construction and land development, and commercial real estate loans. As such, ethnic banks are instrumental actors in an immigrant growth coalition comprised of developers, contractors, realtors, and community elites, including non-profit organizations. This immigrant growth coalition is advancing the gentrification of working class immigrant neighborhoods; and as underwriters of the construction and development of hotels, luxury condominiums, and retail and commercial buildings, ethnic banks are key to this gentrification process. These findings underscore the outstanding need to modernize the Community Reinvestment Act (CRA) to address dynamic market conditions in poor neighborhoods, and to reevaluate definitions and strategies for access to fair capital, community economic development, and neighborhood sustainability.

The analytical narrative of New York City Chinese ethnic banks and their impact on immigrant neighborhoods is developed in the following paper sections. First, a brief survey of the ethnic banks literature finds an emphasis on ethnic solidarity and cultural knowledge in shaping lending practices and community engagement. The supposed benefits of informal networks and social capital that differentiate ethnic banks is challenged by empirical evidence on lending practices that, for the most part, eschew individual asset building in favor of commercial real estate development. These commercial real estate developments contribute to neighborhood gentrification and potential displacement of low-income residents. The paper concludes with a discussion of the relevance of the 1977 Community Reinvestment Act for Asian immigrant neighborhoods and several

proposals to modernize the CRA to address increasingly complex financial landscapes and improve measures of community economic development.

I. ETHNIC BANKS AND IMMIGRANT FINANCIAL ACCESS

A review of the current research on Chinese ethnic banks establishes several dominant themes premised on the social and cultural nature of financial institutional practices. Established to counter financial exclusion due to discrimination and linguistic and cultural barriers, ethnic banks serve as a “key facilitator for capital circulation” by establishing ethnic businesses, expanding the spatial boundaries of residential communities, and promoting opportunities for immigrant homeownership.⁴ Largely based on the experience of Los Angeles County, researchers argue that two factors drive the dynamism of the Chinese ethnic banking sector—globalization and financial deregulation which facilitated the influx of offshore or transnational capital; and the accumulation of local social capital in dense community and ethnic-specific networks creating information sources on individual creditworthiness typically not available to mainstream banks. As Li et al. argue, “intimate knowledge of community financial patterns, trust, and business and social networks enables minority bankers to take on more credit risk and in effect, become more highly leveraged than they could otherwise be.”⁵

Ethnic banks are instrumental in the formation and development of Asian settlement and entrepreneurial patterns. Dymski and Mohanty describe how “a key element in Asians’ transition from ethnic enclave to ethnoburb is a powerful Asian banking sector – not informal small-scale lenders, but formal institutions with large scale financial resources.”⁶ The importance of ethnic banks was substantiated in Zonta’s 2004 study of mortgage lending in Los Angeles County. Zonta found that Asian-owned banks have a high propensity to lend to Asian applicants, and this is heightened in enclave areas due to access to informal informational sources, which underscores Dymski and Mohanty’s argument for the comparative advantages of ethnic banks:

Ethnobanks may resolve information asymmetries differently than

⁴ Wei Li et al., *Chinese-American Banking and Community Development in Los Angeles County*, 92 ANNALS OF ASS’N AM. GEOGRAPHERS 777, 779 (2002).

⁵ Wei Li et al., *Banking on Social Capital in the Era of Globalization: Chinese Ethnobanks in Los Angeles*, 33 ENV’T & PLAN. A 1923, 1929 (2001).

⁶ Gary Dymski et al., *Credit and Banking Structure: Insights from Asian and African-American Experience in Los Angeles*, 89 AM. ECON. REV. PAPERS & PROC. 362, 365 (1999).

other lenders, using informal information rooted in extensive business interrelations based on reputation (“face”). In addition, ethnobanks’ locational proximity may provide extra insights into their core loan customers’ prospects; indeed, the very presence of an ethnic banking network may reduce transaction costs and have spillovers enhancing overall business prospects.⁷

Ethnic banks occupy a niche that differentiates them from mainstream banks, and this niche is based on a community service orientation, an emphasis on relationship banking, and a specialization in international banking. As Li et al. contend, “[i]n common with non-Asian ethnic banks, but in contrast to large mainstream banks, Chinese American bankers insist on the importance of enduring relationships with communities they serve, and believe their institutions to be vital in local economic growth and social well-being.”⁸ So central is the mission of community service that ethnic banks, according to Li and her colleagues, will pursue it at the expense of profit levels. Researchers argue ethnic banks rely on social capital and cultural understanding rather than “balance-sheet criteria” to make business decisions,⁹ e.g., making mortgages without checking the credit history because they know Chinese borrowers would never default. And “this cultural understanding has made single-family housing mortgage lending a safe business for many Chinese American banks.”¹⁰ Based on their comparative advantages of localized knowledge, language access, ethnic social capital, and informal networks, ethnic banks are well positioned to capture the largely under-banked immigrant market.¹¹

The demographic forecasts for the United States portend the increase in numbers and scope of ethnic banks.¹² This literature underscores the tremendous market potential and increasing competition between mainstream and ethnic banks to meet the financial needs of numerous under and un-banked population groups. While globalization trends and deregulation policies figure prominently in facilitating demographic transitions and the growth of ethnic banks, the research agenda continues to

⁷ *Id.* at 364.

⁸ Li et al., *supra* note 5, at 1934.

⁹ *Id.*

¹⁰ *Id.* at 1935.

¹¹ See generally Li et al., *supra* note 4; Michela Zonta, *The Role of Ethnic Banks in the Residential Patterns of Asian Americans: The Case of Los Angeles* (2004) (unpublished dissertation, University of California, Los Angeles) (on file with author).

¹² See, e.g., Premala Shanmuganathan et al., *Ethnic Banking in the USA*, 8 J. FIN. SERVS. MARKETING 388 (2004).

focus on the social nature of ethnic banks and how cultural and social values shape the allocation of money and credit, and routine banking practices.¹³

The research of Peter Kwong and Jan Lin are notable exceptions in their analysis of Manhattan Chinatown's enclave economy as a center of sweatshops and overseas foreign investment. Kwong and Lin discuss the influx of transnational Asian capital and the growth in the numbers and size of ethnic banks.¹⁴ They argue ethnic banks fuel real estate speculation and commercial development, ultimately making Chinatown less viable as a neighborhood for working-class immigrants. This dualism—apparent in the parallel realities of prosperity and poverty, formal and informal economies—defines Asian immigrant neighborhood economies and a multi-tiered banking sector that includes both ethnic and mainstream banks.

II. CHINESE BANKS IN NEW YORK CITY

New York City is a capital of global finance. Chinese capital is increasingly complex and represented in the multi-tiered transnational banking infrastructure. Notably, the number of China banks with NYC branch offices is increasing and nearly all are wholesale banks whose client base is comprised of multinational corporations and financial institutions.¹⁵ This research focuses on financial institutions subject to the 1977 Community Reinvestment Act which includes federally insured depository institutions, national banks, thrifts, and state-chartered commercial and savings banks. There are 15 Chinese banks fitting these types that are headquartered or have branch offices in New York City. Table 3 lists the banks and their assets as of June 30, 2009, the date of establishment, headquarter or main office address, and the bank size which determines the rigor of CRA evaluation. While the institutional landscape is quite mixed with locally established ethnic banks, and branches of national ethnic banks as well as foreign banks such as the Bank of East Asia and Bank of China, it is notable that the overwhelming majority are commercial banks rather than savings banks.

¹³ E.g., Li et al., *supra* note 4; Li et al., *supra* note 5; Jane S. Pollard, *Banking at the Margins: A Geography of Financial Exclusion in Los Angeles*, 28 ENVIRON. & PLAN. A 1209 (2004); Zonta, *supra* note 11.

¹⁴ See PETER KWONG, *THE NEW CHINATOWN* (1996); JAN LIN, *RECONSTRUCTING CHINATOWN: ETHNIC ENCLAVE, GLOBAL CHANGE* (1998).

¹⁵ See Press Release, State of N.Y. Banking Dept., New York State Banking Department Issues Branch License to China Construction Bank (Feb. 18, 2009), *available at* www.banking.state.ny.us/pr090218.htm.

The compositional landscape of Chinese banks is dynamic and constantly changing. One trend is the expansion of large West Coast Chinese ethnic banks, in particular, Cathay Bank and United Commercial Bank, primarily through the acquisition and merger with New York City-based small ethnic banks. For example, Great Eastern Bank was acquired by Cathay Bank in 2006; and, in January 2007, United Commercial Bank acquired Chinese American Bank. In November 2009, the United Commercial Bank was seized by the FDIC and turned over to Los Angeles's East West Bank – making East West Bank the largest Asian bank in the United States.¹⁶ We will return to the demise of United Commercial Bank in the CRA discussion. In addition to mergers, new Chinese banks have also formed in the past few years, such as United International Bank in Flushing, Queens, and Global Bank in Manhattan Chinatown.

Ethnic banks are concentrated in New York City's key Asian immigrant neighborhoods. Table 4 lists all banks located in Manhattan Chinatown, Flushing, Queens, and Sunset Park, Brooklyn. The significant number of ethnic banks is correlated with the relatively high share of deposits held by these banks, especially in Flushing and Sunset Park, where approximately one-third of total deposits are in ethnic banks. The zip code boundaries of Manhattan Chinatown partially encompass the neighborhoods of Tribeca and Soho, which are demographically distinct with a largely affluent non-Hispanic White population. This may explain the relatively lower rate of deposits held by Manhattan Chinatown ethnic banks.

Flushing, Queens' Asian population is ethnically diverse in contrast to Manhattan Chinatown and Sunset Park, Brooklyn. In addition to Chinese banks, Flushing's listing of banks includes five Korean-owned banks – NewBank, Nara Bank, Royal Asian Bank, Shinhan Bank, and Woori American Bank. Flushing's downtown economy includes a sizable Korean residential and small business base, and this is reflected in the significant presence of Korean banks. Table 4 indicates the mixed financial institutional landscape of NYC's Asian immigrant neighborhoods, and the significant capital flows captured by bank deposits. Clearly, these neighborhoods are important markets for ethnic and mainstream banks.

As noted earlier, much of the ethnic banks literature focuses on the Los

¹⁶ See Press Release, Federal Deposit Insurance Corporation (FDIC), East West Bank, Pasadena, California Assumes All the Deposits of United Commercial Bank, San Francisco, California (Nov. 6, 2009), available at <http://www.fdic.gov/news/news/press/2009/pr09201.html>. I will return to the United Commercial Bank later in the paper.

Angeles experience and argues that ethnic banks facilitate business growth, immigrant homeownership, and the expansion of Asian enclave neighborhoods. A prominent theme is that ethnic banks occupy a unique niche that differentiates them from mainstream banks because they have localized insiders' knowledge about the immigrant community. Language access, ethnic social capital, and informal networks help these banks take greater risks and engage in character lending – essentially taking on a community service orientation. The embedded nature of community relationships and conditions was frequently referenced in interviews with ethnic bank representatives.

Based on the emphasis on community orientation, ethnic banks are expected to be active lenders, especially in home mortgages due to the importance of homeownership as a form of asset building. Moreover, studies show that Asians are a fast growing segment of New York City homeowners with homeownership rates nearly reaching parity with Whites at 40% and 44% respectively.¹⁷ Utilizing public loan data made available as a result of the 1975 Home Mortgage Disclosure Act (HMDA), which requires lending institutions to report loan information including race of loan applicant, loan purpose (new purchase, refinance, home improvement loans), purchase type (1-4 family, multi-family), geography (census tract) of property, and the action taken on the loan (e.g., approval, origination or denial and the reason why), I prepared an analysis of HMDA data on Asian applicants, and bank lending.

Table 5 indicates the volume of mortgage loan approvals and originations for Asian New Yorkers disaggregated by loan purpose. Clearly, the volume of loans to Asian New Yorkers has, for the most part, increased steadily. The 29% drop in loan volume from 2007 to 2008 represents the contraction in the banking industry and the onset of the worst economic recession since the Great Depression. The overwhelming share (on average 67%) of home loan approvals and originations to Asian New Yorkers was for the purchase of a 1-4 family home. Supporting the spatial clustering of Asian settlements, the majority of Asian New Yorkers sought loans to purchase homes in Queens. The high share of Asian home mortgages for properties in Queens is surprising, as nearly one in two Asian New Yorkers resides in this borough. The remaining home mortgages were largely for properties located in Brooklyn or Manhattan.

¹⁷ NEW YORK UNIVERSITY FURMAN CENTER FOR REAL ESTATE AND URBAN POLICY, STATE OF NEW YORK CITY'S HOUSING AND NEIGHBORHOODS 2 (2006), *available at* http://furmancenter.org/files/sotc/SOC2006FINAL_000.pdf.

The concentrated and dynamic Asian financial landscape suggests that ethnic banks are key sources for home mortgages. However, this is not the case. The percentage of loan approvals or originations for the purchase of a family home made by ethnic banks, and the top ten lenders to Asian New Yorkers for the years 2000 to 2008, was plotted on a chart that underscores two trends. First, an average majority, 69% of home mortgage loan approvals and originations, were made by a handful of ten lenders. Asians rely on a relatively small range of mainstream non-ethnic banks and mortgage companies for their home mortgages. While there were compositional shifts of the most common mortgage lenders during the years 2000 to 2008, consistently among the top ten are the transnational banks of HSBC Mortgage Corporation, JP Morgan Chase, and Wells Fargo. In fact, these three banks alone approved or originated slightly more than one-half of all home mortgage loans to Asian New Yorkers in 2008.

Secondly, not only were ethnic banks rarely among the top ten lenders, but ethnic banks made a miniscule share of the loans that support Asian homeownership. The recent economic crisis, however, did create an opportunity for local ethnic banks such as Abacus Federal Savings Bank and First American International Bank (FAIB) to be among the list of top ten lenders. While Abacus Federal Savings Bank has consistently been a source of home mortgage loans, FAIB's Vice President Patrick Yau conceded that mainstream banks pulled back from the Asian American market, which created an opportunity for ethnic banks to compete for customers. The competition for market share in Asian immigrant neighborhoods with high bank density is an important issue that is, however, beyond the scope of this paper.¹⁸ Nevertheless, ethnic banks claim cultural and ethnic advantages and a community service orientation, and yet they are typically not engaged in mortgage lending for new Asian homeownership. On average, ethnic banks made only 4% of the total loan originations or approvals to Asian New Yorkers seeking to purchase a new home since the year 2000.

If ethnic banks are not making home mortgages, what are they doing? Table 6 looks at the loan portfolios of a sample of Chinese ethnic banks and finds that with the exception of two local banks – Abacus Federal Savings Bank and Chinatown Federal Savings Bank – Chinese ethnic

¹⁸ Non-depository institutions such as mortgage companies have also been among the top ten lenders to Asian New Yorkers. Some institutions are also on HUD's list of subprime lenders. The role of mortgage brokers in facilitating access to loans for Asians needs further investigation.

banks are highly specialized in loans for commercial real estate, and construction and land development. While large ethnic banks were more likely to engage in commercial and industrial lending (which includes small business loans), the portfolio share of these loans is comparatively modest to real estate investments. In fact, several Asian bank holding companies are listed on the American Bankers Association 2009 ranking of the top 150 bank holding companies by commercial real estate loans.¹⁹ Among the top 150 banks are Cathay General Bancorp ranked at number 36, followed by East West Bancorp, Inc. Ranked at number 52 is the UCBH Holdings Inc., owner of United Commercial Bank (UCB) which was seized by the FDIC and sold to East West Bancorp, Inc. in 2009, making East West Bank the largest Asian bank in the United States and the largest bank in Southern California with assets reaching 20 billion dollars.²⁰ In addition to fraud allegations, the FDIC noted UCB's demise was due to "substantial concentrations in commercial real estate lending and acquisition, construction and development loans[.]"²¹ A few years earlier, UCB received nearly 300 million dollars in federal assistance through the Troubled Assets Relief Program (TARP). UCB is the first TARP recipient that ultimately failed, making the cumulative loss in public dollars quite substantial.²²

Ethnic banks are an important part of immigrant growth coalitions comprised of developers, realtors, building professionals in construction, architecture, and engineering, and increasingly, community elites who have coalesced to advance a pro-growth agenda in immigrant neighborhoods. Summer 2009 was marked by several community protests in Sunset Park and Manhattan Chinatown-Lower East Side decrying the unfettered gentrification pressures that are undermining working class immigrant neighborhoods (newspaper). Despite the economic recession, new construction sites dot neighborhood blocks and prominently display signs indicating ethnic bank financing (see photo) that signal imminent

¹⁹ See *Bank Holding Companies Ranked by Commercial Real Estate Loans*, AM. BANKER, Aug. 18, 2009, www.americanbanker.com/rankings/bank_holding_companies_ranked_by_cre_loans-1001070-1.html.

²⁰ See FDIC Home Page, <http://www.fdic.gov/> (last visited Jan. 21, 2011).

²¹ See FDIC Press Release, *supra* note 15.

²² According to a 2009 *Financial Planning* article, the resolution of United Commercial Bank's seizure and sale to East West Bancorp, Inc. cost the FDIC 1.4 billion dollars. See Joe Adler, *U.S., China Team Up On Failed Bank*, FINANCIAL PLANNING, Nov. 9 2009, <http://www.financial-planning.com/news/us-china-team-up-on-failed-bank-2664512-1.html>.

transformative neighborhood change.²³ Protests were held in front of ethnic banks.²⁴ Financial institutions based on historic and conventional measures do not underserve New York City's Asian neighborhoods. In fact, these neighborhoods are, paradoxically, sites of high bank density. However, as the empirical analysis demonstrates, ethnic banks are generally not engaged in conventionally defined asset building activities (e.g., homeownership and small business promotion), but are heavily invested in commercial real estate development. While New York City's Asian neighborhoods are not under-banked per se, low and moderate income populations are not well-served by financial institutions whose lending activity helps facilitate residential and commercial gentrification and displacement.

III. IS THE 1977 COMMUNITY REINVESTMENT ACT RELEVANT?

More than 30 years ago, community organizers mobilized to enact the Community Reinvestment Act (CRA), which sought to correct systematic disinvestment and discriminatory redlining in low income neighborhoods. The CRA is a simple law that mandates banks to meet the credit needs of low and moderate income areas and individuals in a manner that is "consistent with safety and soundness" and invest in communities where they receive deposits. The financial landscape of low and moderate income neighborhoods has changed dramatically since the 1977 enactment of the CRA. Achieving CRA objectives that prohibit discrimination, promote community investment, and facilitate financial inclusion in the 21st century requires modernization to effectively address new conditions and challenges in ensuring fair credit access and sound banking practices. Towards this goal, Representative Eddie Bernice Johnson (D-TX), with the support of the National Community Reinvestment Coalition (NCRC),

²³ A sample of the numerous articles on the gentrification of Manhattan's Chinatown include: Vivian S. Toy, *Luxury Condos Arrive in Chinatown*, N.Y. TIMES, Sept. 17, 2006, <http://www.nytimes.com/2006/09/17/realestate/17cov.html>; Michael Powell, *Manhattan's Chinatown Pressured to Sell Out*, WASH. POST, May 21, 2005, at A3, available at <http://www.washingtonpost.com/wpdyn/content/article/2005/05/20/AR2005052001463.html>; Sophia Y. Chang, *Chinatown Factory Faces Eviction: Harsh Reality Hits Makers of Fairy-Tale Gowns*, VILLAGE VOICE, Jan. 1, 2002, at 21, available at <http://www.villagevoice.com/2002-01-01/news/chinatown-factory-faces-eviction/>; Malene Arce, *Gentrification in N.Y.: New Nightspots in Chinatown Bring Welcome — And Worry*, ASIAN WEEK, Jan. 5–11, 2001, http://asianweek.com/2001_01_05/news5_newyorkchinatown.html.

²⁴ See Cliff Jia, *Citizens Protest Chinatown Development*, EPOCH TIMES, July 30, 2009, available at www.theepochtimes.com/n2/content/view/20323/.

introduced the Community Reinvestment Modernization Act of 2009.²⁵ This paper concludes by highlighting a few provisions of the proposed legislation that are particularly relevant to Asian communities. Moreover, the experience of Asian communities underscores additional concerns such as refining community development definitions and activities, and supporting immigrant engagement in defining and monitoring banks' affirmative and continual obligation to serve the credit needs of low and moderate income communities.

The key provisions of the 2009 Community Reinvestment Modernization Act that are especially relevant to Asian communities include expanding the institutions covered. CRA should be applied to a variety of non-bank financial actors such as independent mortgage companies, credit unions, and insurance companies. Mortgage companies are key financial institutions in Asian immigrant neighborhoods but they are not well researched nor are they covered by CRA obligations. Improving financial institutions' accountability and transparency in fair capital access and lending practices requires improved data disclosure. In particular, the 2009 Modernization Act provisions that require the disclosure of the race and gender of small business owners in small business loan applications, and that make data on deposit accounts by neighborhood publicly available, will be significant data improvements.

Strengthening community capacity and engagement to fulfill the "capital-democratizing promise of the CRA"²⁶ is of vital importance to financial equity in Asian immigrant neighborhoods. Communities should have the opportunity to define community development needs and review financial institutions' reinvestment goals. In fact, community needs should drive the criteria for the CRA community development test. Financial institutions should engage in an ongoing public dialogue with community stakeholders to review and evaluate reinvestment priorities and success based on meeting community development needs. Community development goals should be outlined in an inclusive and comprehensive planning discussion with community residents and stakeholders. Since a primary CRA goal is to meet community credit needs, the community should have the opportunity to develop and prioritize equitable capital investments and practices.

²⁵ For a summary of the Community Reinvestment Modernization Act of 2009 (H.R. 1479), see Govtrack.us, *A Civic Project To Track Congress*, <http://www.govtrack.us/congress/bill.xpd?bill=h111-1479> (last visited Nov. 9, 2010).

²⁶ Richard Marisco, *Democratizing Capital: The History, Law, and Reform of The Community Reinvestment Act*, 49 N.Y.L. SCH. L. REV. 717, 723 (2005).

Integral to community development is promoting community capacity to participate in monitoring and enforcing CRA goals. Financial literacy initiatives are necessary to enable all community segments including immigrants to participate in “democraticizing capital.”²⁷ These initiatives should include a primer on the history and objectives of the Community Reinvestment Act, especially the obligations of financial institutions to meet the credit needs of low and moderate income populations, and the right of community stakeholders to file public complaints. Critical to CRA success is input from underserved community groups, in other words, “strategic participation by those who live and own businesses in a bank’s ‘community.’”²⁸ CRA modernization should require meaningful opportunities for community stakeholders and institutions to engage in “regulation from below” and should support necessary strategies and resources that build capacity and simplify data access to encourage community oversight and enforcement.

The community development test should include both quantitative and qualitative evaluations of the volume of community development loans and investments as well as their impact. The experiences of NYC Asian communities indicate that minority-owned banks are heavily involved in commercial real estate investments that contribute to neighborhood instability due to the potential displacement of low and moderate income residents. In addition to CRA assessments of affordable housing and small business loans, community development should encompass a broad range of activities that will help sustain low and moderate income neighborhoods, such as community facilities including child care centers and worker advocacy centers, microfinance loan funds, and immigrant workforce development projects.

Regulatory agencies that are responsible for monitoring bank performances should have a more direct presence in local neighborhoods. Community affairs liaisons should proactively reach out to community stakeholders and nonprofit organizations, including advocacy groups that work with low and moderate income populations. This proactive outreach is especially important in the current financial environment where banks are large and typically have little, if any, connection with small community groups.

In closing, a unique opportunity presently exists in Manhattan

²⁷ *Id.* at 719.

²⁸ Cassandra Havard, *Advancing the CRA - Using the CRA’s Strategic Plan Option to Promote Community Inclusion: The CRA and Community Inclusion*, 29 W. NEW ENG. L. REV. 37, 55 (2006).

Chinatown-Lower East Side to implement the recommended strategies for accountable and responsive banking practices. Community stakeholders are engaged in an unprecedented community-wide comprehensive planning process, and the resulting plan will be adopted by the city and serve as a guide for future development. The opportunity to prepare a “community needs and capacity analysis” that identifies outstanding credit and community development needs of a majority of low and moderate income populations, and identifies specific priorities in future CRA investments and activities, should not be squandered.²⁹ The comprehensive planning baseline studies should include a careful analysis of community development needs and organizational capacity to engage in CRA modernization and enforcement. In addition, a detailed profile of the numerous banks located in Manhattan Chinatown-Lower East Side, their lending practices, and CRA investments should also be prepared. The momentum for a unified community sustainability plan presents a unique opportunity to integrate bank lending and investment standards that will support financial equity in Manhattan Chinatown-Lower East Side.

²⁹ *Improving CRA for Community Development: Geographic and Other Considerations: Joint Public Hearing on Community Reinvestment Act Regulation Before the Board of Governors of the Federal Reserve System* (Aug. 12, 2010) (statement by Ellen Seidman), http://www.federalreserve.gov/SECRS/2010/September/20100928/R1386/R1386_080910_53487_582039557554_1.pdf.



Luxury Condominium Development in Manhattan
Chinatown with Cathay Bank Financing, May 2009.

Table 1
 Minority Banks by Race and Gender, 2005 and 2009

	2005	2009	2009 Distribution	2005-2009 Change
Total Minority-Owned Banks	195	239	100%	23%
African American/Black	46	44	18%	-4%
Asian American	73	99	41%	36%
Hispanic American/Latino	38	60	25%	58%
Native American	20	22	9%	10%
Women	13	10	4%	-23%

Source: Creative Investment Research

Table 2
 Manhattan Zip Codes Ranked by Size of Bank Deposits

Zip Code	Neighborhood	Number of Bank Branches June 30, 2008	Total Deposits (\$000s) June 30, 2008	2000 Poverty Rate
10017	Grand Central/United Nations	62	\$212,559,333	7%
10019	Midtown/Clinton	47	\$25,407,875	13%
10022	Sutton Place/Beekman Place	62	\$23,771,952	5%
10005	Wall Street	14	\$21,140,163	9%
10018	Garment District	24	\$19,653,046	21%
10036	Theatre District/Clinton	28	\$14,617,694	18%
10021	Lenox Hill	43	\$7,566,292	5%
10020	Rockefeller Center	11	\$6,630,437	--
10013	Chinatown/Tribeca	37	\$6,408,259	21%
10016	Murray Hill	34	\$6,331,721	11%
10001	Koreatown/Fur-Flower District	30	\$5,173,256	22%

10023	Lincoln Center/Ansonia	20	\$4,397,017	7%
10003	Cooper Square/Union Square	27	\$3,238,728	12%
10028	Yorkville	16	\$2,984,109	5%
10011	Chelsea	19	\$2,919,678	10%
10010	Madison Square/Cooper Village	24	\$2,306,773	9%
10025	Cathedral	15	\$2,240,577	15%
10038	Chinatown/South Street Seaport	11	\$2,096,613	26%
10007	City Hall	13	\$1,805,247	5%
10024	Upper West Side	12	\$1,651,007	8%
10012	Village/Noho/Soho	10	\$1,602,351	14%
10002	Chinatown/Lower East Side	21	\$1,320,769	29%
10004	Battery/Governors Island	11	\$1,215,367	13%
10014	Greenwich Village	6	\$881,377	6%
10027	Manhattanville	14	\$757,686	35%
10033	Washington Heights	8	\$731,691	28%
10009	East Village/ Stuyvesant Town	5	\$421,885	22%
10032	South Washington Heights	7	\$347,740	32%
10029	East Harlem, South	8	\$342,759	36%
10040	North Washington Heights	5	\$312,011	29%
10006	Trinity	3	\$301,946	15%
10128	Yorkville	5	\$261,870	9%
10280/	Battery Park City	3	\$261,788	6%
10031	Hamilton Heights	4	\$173,250	34%
10034	Inwood	2	\$103,485	29%
10037	East Harlem, North	2	\$86,950	25%
10035	East Harlem, Middle	4	\$71,064	44%
10030	Central Harlem, Middle	2	\$69,199	40%
10039	Central Harlem, North	3	\$58,688	40%
10026	Central Harlem, South	4	\$33,155	35%
10044	Roosevelt Island	0	\$0	17%

Table 3
Chinese Banks with Branches in New York City, 2009

	Bank Name	Date of Establishment	Headquarter Address	Assets (\$'000) ^a	CRA Bank Type b	Bank Charter	# Foreign Offices	# Domestic Offices	# States	# NYC Branches
1	Abacus Federal Savings Bank	11/29/1984	6 Bowery Street, New York, NY 10013	\$240,109	Small	Savings Association	0	6	3	4
2	Amerasia Bank	6/20/1988	41-04 to 41-06 Main Street, Flushing, NY 11355	\$204,670	Small	Commercial Bank	0	2	1	2
3	Asia Bank, National Association	11/9/1984	135-34 Roosevelt Avenue, Flushing, NY 11354	\$432,431	Intermediate	Commercial Bank	0	5	2	4
4	Chinatown Federal Savings Bank	4/27/1984	107-109 Bowery Street, New York, NY 10002	\$170,654	Small	Savings Association	0	3	1	3
5	East Bank National Association	11/26/1984	235 Canal Street, New York, NY 10013	\$178,814	Small	Commercial Bank	0	1	1	2
6	First American International Bank	11/15/1999	5503 8th Ave, Brooklyn, NY 11220	\$615,495	Intermediate	Commercial Bank	0	9	1	9
7	United Orient Bank	4/9/1981	10 Chatham Square, New York, NY 10038	\$107,602	Small	Commercial Bank	0	2	1	2
8	United International Bank	2/28/2006	41-60 Main Street, Flushing, NY 11335	\$188,149	Small	Commercial Bank	0	1	1	1
9	Cathay Bank	4/19/1962	77 N. Broadway Street, Los Angeles, CA 90012	\$11,383,385	Large	Commercial Bank	1	53	7	8
10	Chinatrust Bank USA	4/27/1965	22939 Hawthorne Blvd, Torrance, CA 90505	\$2,330,482	Large	Commercial Bank	0	22	4	5
11	Global Bank	3/12/2007	30 East Broadway, New York, NY 10002	\$100,645	Small	Commercial Bank	0	1	1	1
12	United Commercial Bank	3/27/1986	555 Montgomery Street, San Francisco, CA 94111	\$11,783,241	Large	Commercial Bank	1	67	6	9

Table 3
Chinese Banks with Branches in New York City, 2009

		1/1/1918	202 Canal Street, New York NY 10013	\$105,613	Not Reported	US Branch of Foreign Bank	1	1	1
13	Bank of East Asia Ltd	1/1/1918	202 Canal Street, New York NY 10013	\$675,159	Intermediate	US Branch of Foreign Bank	0	13	3
14	Bank of East Asia USA NA	2/14/1983	202 Canal Street, New York NY 10013	\$14,130,710	Wholesale/ Limited Purpose	US Branch of Foreign Bank	---	2	2
15	Bank of China	1/1/1912	410 Madison Avenue, New York, NY 10017						

Source: Federal Deposit Insurance Corporation, FDIC, www.fdic.gov

^a Total assets includes cash, loans, securities, bank premises and other assets as of June 30, 2009.

^b New bank size designations based on 2005 CRA revisions.

^c United Commercial Bank was seized by the FDIC in November 2009 and sold to East West Bank.

Table 4
Bank Deposits in Select NYC Asian Immigrant Neighborhoods, 2008

Bank Type and Name	TOTAL BANKS				ASIAN-OWNED BANKS				NON-ASIAN MINORITY-OWNED BANKS			
	No. Branches	Deposits (\$00s)	Mkt Share		No. Branches	Deposits (\$00s)	Mkt Share		No. Branches	Deposits (\$00s)	Mkt Share	
1	23	\$1,550,835	18%		23	\$1,550,835	18%		18	\$995,163	100%	
2	2	\$114,705	7%		2	\$114,705	7%		9	\$199,408	30%	
3	1	\$55,330	4%		1	\$55,330	4%		1	\$14,852	12%	
4	3	\$154,661	10%		3	\$154,661	10%		2	\$43,265	14%	
5	2	\$121,181	8%		2	\$121,181	8%		1	\$8,251	3%	
6	1	\$116,158	7%		1	\$116,158	7%		---	---	---	
7	1	\$52,776	3%		1	\$52,776	3%		---	---	---	
8	2	\$81,586	5%		2	\$81,586	5%		---	---	---	
9	4	\$306,062	20%		4	\$306,062	20%		1	\$18,821	6%	
10	3	\$128,607	8%		3	\$128,607	8%		2	\$129,329	43%	
11	1	\$85,414	6%		1	\$85,414	6%		1	\$48,643	17%	
12	1	\$102,473	7%		1	\$102,473	7%		---	---	---	
13	1	\$53,619	3%		1	\$53,619	3%		1	\$15,247	5%	
14	1	\$178,363	12%		1	\$178,363	12%		---	---	---	
15	---	---	---		---	---	---		---	---	---	
16	---	---	---		---	---	---		---	---	---	
17	---	---	---		---	---	---		---	---	---	
18	---	---	---		---	---	---		---	---	---	
19	---	---	---		---	---	---		---	---	---	
20	---	---	---		---	---	---		---	---	---	
	2	\$101,875	---		2	\$101,875	---		2	\$125,053	13%	
	2	\$101,875	---		2	\$101,875	---		1	\$58,206	47%	

Banco Popular North America

Table 4
Bank Deposits in Select NYC Asian Immigrant Neighborhoods, 2008

NATIONAL BANKS	Bank	Manhattan Chinatown core					Flushing Queens					Sunset Park, Brooklyn				
		Count	Assets	Liabilities	Assets	Liabilities	Count	Assets	Liabilities	Assets	Liabilities	Count	Assets	Liabilities	Assets	Liabilities
NATIONAL BANKS	Carver Federal Savings Bank	6	\$635,102				12								\$56,847	53%
	Sovereign Bank	1	\$42,909									0			\$0	0%
	Enigrant Savings Bank	1	\$106,093													
	Valley National Bank	2	\$213,014													
	Capital One National Assn	2	\$271,146				3									
	Apple Bank						1									
	Dime Savings						1									
	Actaria Federal Savings and Loan						1									
	Flushing Savings Bank, FSB						3									
	New York Commercial Bank						1									
TRANSNATIONAL BANKS ^a	New York Community Bank	27	\$6,112,533				13									
	Citibank National Assn	5	\$1,659,400				2									
	ETTrade Savings Bank	1	\$1													
	HSBC Bank USA National Assn	4	\$1,512,358				4									
	J.P. Morgan Chase NA/	9	\$2,100,105				5									
	Washington Mutual															
	TD Bank, National Assn	2	\$327,896													
	Washovia Bank, NA	1	\$50,599													
	Bank of America NA	5	\$462,174				2									

^a Manhattan Chinatown core is defined by two zip codes 10002 and 10013, Flushing Queens is defined by 11354 and 11355, Sunset Park, Brooklyn is defined by zip codes 11220 and 11232.

^b Non-Asian Transnational Banks.

Source: Federal Deposit Insurance Corporation, FDIC, www.fdic.gov

Table 5
Loan Approvals and Originations for Asian New Yorkers

Purpose of Loan	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 Average Loans	Average Distribution
Home Purchase (1-4 family)	6,759	7,345	8,677	9,853	12,877	15,006	14,504	13,879	9,917	10,980	67%
Home Improvement (1-4 family)	292	244	225	256	561	673	807	710	335	456	3%
Refinance (1-4 family)	847	3,924	5,939	11,107	5,386	5,098	4,798	4,071	2,797	4,885	30%
Multi-family (purchase, imp., refinance)	69	136	127	118	125	168	132	116	99	121	1%
Total	7,967	11,649	14,968	21,334	18,956^a	20,952^a	20,241^a	18,776^a	13,151^a	16,444	100%

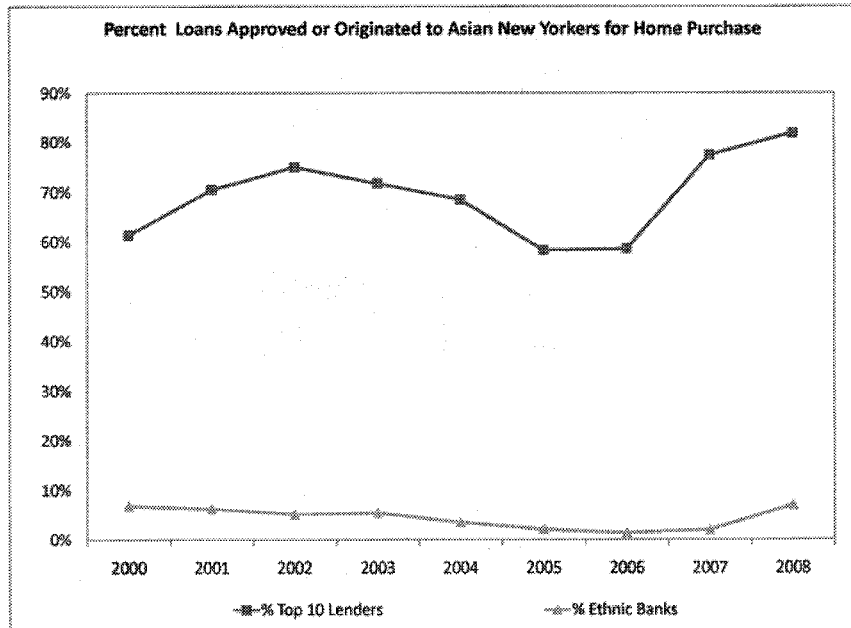
^a Includes 7 manufactured homes in 2004 and 2005, 4 in 2006, 2 in 2007, and 3 in 2008

Source: HMDA

Table 6
Loan Portfolio for Select Banks, June 30, 2009

	United Commercial Bank	Cathay Bank	Chinatrust Bank	Bank of East Asia, Nat'l Assn	First American International Bank	Abacus Bank	Chinatown Federal Savings Bank
	Dist.	Dist.	Dist.	Dist.	Dist.	Dist.	Dist.
	(\$'000s)	(\$'000s)	(\$'000s)	(\$'000s)	(\$'000s)	(\$'000s)	(\$'000s)
Total Loans and Leases	\$7,958,949	\$7,744,790	\$1,687,136	\$552,917	\$556,133	\$103,72	\$152,751
	100%	100%	100%	100%	100%	100%	100%
Real Estate Loans							
Construction and Land Development	\$6,173,393	\$5,775,372	\$1,375,001	\$512,202	\$514,006	\$102,01	\$150,241
Commercial Real Estate	\$1,361,603	\$1,035,392	\$396,596	\$57,515	\$137,645	\$0	\$0
Multi-family Residential	\$2,350,181	\$3,565,798	\$775,594	\$375,149	\$291,808	\$46,256	\$42,505
Real Estate	\$1,150,365	\$298,967	\$176,288	\$55,866	\$25,098	\$2,548	\$39,263
1-4 Unit Family Residential	\$696,274	\$805,775	\$28,129	\$23,672	\$59,155	\$33,209	\$78,473
Real Estate Loans	\$435,890	\$0	\$0	\$0	\$0	\$0	\$0
Foreign Offices	\$1,814,548	\$1,487,463	\$309,997	\$40,168	\$12,499	\$1,131	\$0
Commercial and Industrial Loans	\$5,798	\$14,447	\$2,093	\$60	\$1,266	\$584	\$2,510
Individual Loans	\$0	\$0	\$0	\$0	\$246	\$574	\$0
Credit cards	\$3,112	\$11	\$0	\$0	\$720	\$0	\$0
Related Plans	\$2,696	\$14,436	\$2,093	\$60	\$300	\$10	\$2,510
Other individual loans	\$6,212	\$7,011	\$45	\$583	\$0	\$0	\$0
Total Other Loans and Leases							
	0.08%	0.1%	0%	0.1%	0%	0%	0%

Source: Federal Deposit Insurance Corporation, www.fdic.gov



	2000	2001	2002	2003	2004	2005	2006	2007	2008
TOP TEN LENDERS	4149	5178	6509	7077	8827	8755	8506	10749	8122
Ethnic Banks	460	457	445	533	454	308	203	277	691
TOTAL LOANS	6759	7345	8677	9853	12877	15006	14503	13879	9917
% Top 10 Lenders	61%	70%	75%	72%	69%	58%	59%	77%	82%
% Ethnic Banks	7%	6%	5%	5%	4%	2%	1%	2%	7%