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REINVESTMENT
COALITION



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July 16, 2014

Steven Maggio
Director for District Licensing
Office of the Comptroller of the Currency (OCC)
340 Madison Avenue, Fifth Floor
New York, NY 10173-0002

RE: Valley National and 1st United Bank Merger

Dear Mr. Maggio:

The undersigned organizations, working together with the National Community Reinvestment Coalition (NCRC), oppose the merger of Valley National Bank and 1st United Bank. We do not believe that Valley National is meeting the needs of low- and moderate-income (LMI) communities and communities of color, and they have not outlined a plan to do so in the future.

The bank's response to NCRC, dated June 19, 2014, did not outline any substantial public benefits that would result from its merger with 1st United Bank. The bank states that while it did not offer a detailed plan in its application, public benefits will surely result from the merger. However, the bank does not commit to offering any specific products or services and does not provide any detail on this claimed public benefit. The bank mentioned one product, a fixed closing cost mortgage product, but it only committed to "evaluate the possibility of offering similar products" in Florida, its new market if the merger is approved. Assurances are no substitute for a plan, which Valley National clearly has not presented.

The bank's answer to why it should be allowed to merge with 1st United seems to be that it received a satisfactory rating on its Community Reinvestment Act (CRA) examination. This is no special achievement since it represents only a sufficient performance, not an outstanding performance. Furthermore, the evaluation of a bank's performance on its CRA examination is separate from the evaluation of whether or not the merger will benefit the public. Public benefit is about future benefits, while CRA looks at the bank's past performance.

The Comptroller Licensing Manual clearly makes this distinction. The manual emphasizes the need to consider public benefit in mergers, stating, "The OCC, by statute, must consider convenience and needs in connection with business combination proposals. The 'convenience and needs' factor is distinguished from the CRA requirements in that the convenience and needs analysis is prospective, whereas the CRA requires the OCC to consider the applicant's

record of performance.”

However, an analysis of the bank’s past performance in meeting the needs of underserved communities, using publicly available data, the bank’s CRA evaluation and feedback from the community, points to weaknesses in its performance. Instead of laying out a detailed plan to improve its performance, Valley National chose to attack the facts we outlined in our comment letter, claiming that, “Statements made in the comment letter are not backed up by facts.” In fact, these statements, that Valley National had poor home lending, small businesses lending and multi-family lending when compared to its peers, are not only backed up by publicly available data reported by the bank but are also supported by the CRA examination which the bank cited as its evidence that it is meeting community needs.

According to the latest CRA evaluation, the term “poor” was specifically used to describe the overall geographic distribution of home loans and small loans to businesses. The word “poor” was also used to describe the overall borrower distribution of home mortgage lending and small loans to businesses. Overall the term “poor” or “very poor” was specifically used to describe the bank’s performance in the lending test 47 times. According to the CRA regulations, a rating of “poor” corresponds to “needs to improve,” and “very poor” corresponds to “substantial noncompliance.” “Needs to improve” and “substantial noncompliance” are the two ratings indicating that the bank’s performance is not satisfactory.¹ This shows, as stated in our previous letter, that in the past, the bank has failed to meet the needs of a broad group of borrowers and communities in its largest service areas.

Furthermore, in its letter, the bank attempts to explain the reasons that it is performing poorly in serving African-American and Hispanic communities by saying, “It is logical that Valley National with its responsible lending policy, would have a lower percentage of minority applicant participation versus certain other dominant lenders. Services of portfolios with significant numbers of subprime and underwater borrowers have closer relationships with the banks that can refinance through government-sponsored, ‘special purpose’ refinance programs.” This incorrectly implies that the only way to serve minority communities is by engaging in predatory, subprime lending. Further, based on this statement it appears that Valley National may be making a conscious effort to discriminate and not serve these communities at all. NCRC and our members are offended by this rationale and these actions.

In addition, the home lending analysis conducted by NCRC compared Valley National’s single family, owner-occupied, **non-high cost** home loans to the single family, owner-occupied, non-high cost home loans of all lenders as a group in each of its major assessment areas. If all lenders as a group in each of its major assessment areas can extend non-subprime loans to creditworthy African-American and Hispanic borrowers in the New York Multi-State Metropolitan Statistical Area, then Valley National should be able to as well. This is of particular importance in home refinance lending, where the bank ranks as the sixth-largest refinance lender in both the New

¹ CFR Title 12 Part 25 Subpart E Appendix

York Metropolitan Division and the Newark Metropolitan Division. Valley National should not be rewarded for failing to serve certain communities of color.

NCRC believes that the bank's comments demonstrate a lack of engagement with minority and LMI communities, which the organizations signed to this letter serve every day. The comments also raise major concerns about the fair lending practices that the bank will bring to the Florida market. Is the bank going to engage in the same questionable practices in Florida as it seems to be employing in New York? If so, the bank does not deserve the privilege of having its merger approved and expanding into a new market.

If Valley National would like to merge and enter the Florida market, it should focus less on disparaging minority communities and instead focus on how it can serve all creditworthy borrowers by changing its practices. This could include a commitment by the bank to offer appropriate mortgage and home loan products to LMI borrowers and communities. Moreover, it should include a commitment to affirmatively serve all creditworthy minority borrowers and communities in its service area.

Based on Valley National's response, our organizations urge the Office of the Comptroller of the Currency to reject Valley National's proposed merger with 1st United. Valley National has so far failed to clearly demonstrate a public benefit to the proposed merger. They have not shown the intent to adequately serve underserved communities, and their public benefit claims must be publicly vetted. Therefore, we once again request that the OCC hold public hearings to give the public an opportunity to determine whether the bank's proposed merger will create a public benefit.

Our groups still stand ready to meet with Valley National to discuss how they can improve upon their record and meet the needs of underserved borrowers in their current communities and those they intend to serve with this merger. Thank you for providing us with an opportunity to comment on this important topic. Please feel free to reach out to me directly for additional discussion about this matter or contact Jesse Van Tol, Director of Membership and Organizing at (202) 464-2709 or jvantol@ncrc.org.

Sincerely,



John Taylor

National Community Reinvestment Coalition

Association for Neighborhood and Housing Development (ANHD)

Catalyst Miami

Community Housing Innovations

Fair Finance Watch

Fair Housing Council of Northern New Jersey

Mount Zion Development

Neighborhood Housing Services of South Florida

New Jersey Citizen Action (NJCA)

Parodneck Foundation

Pratt Area Community Council

Rockland Housing Action Coalition

South Florida Community Land Trust

St. Petersburg Neighborhood Housing Services, Inc.

We Help CDC

Cc: Barry Wides, Deputy Comptroller Community Affairs

Cc: Steven Lybarger, Deputy Comptroller Licensing