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**Capital Region CRA Coalition**

255 Orange Street, Albany, NY 12210

January 29, 2016

Nadine Wallman  
Vice President  
Federal Reserve Bank of Cleveland  
1455 East Sixth Street  
Cleveland, OH 44101-2566  
[comments.applications@clev.frb.gov](mailto:comments.applications@clev.frb.gov)

Robert de V. Frierson  
Secretary  
Board of Governors of the Federal Reserve System  
20th & Constitution Avenue, N.W.  
Washington, DC 20551-001  
[regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

RE: The Notice and Application filed by KeyCorp, Cleveland, Ohio (“KeyBank”) to acquire First Niagara Financial Group, Inc., Buffalo, New York, and thereby indirectly acquire First Niagara Bank, NA, (“First Niagara”) Buffalo, New York

Dear Vice President Wallman and Secretary Freirson,

The undersigned Capital Region organizations and elected officials are concerned about the proposed Key Bank acquisition of First Niagara. While unfortunately we have not yet seen a community benefits plan, we want to submit general comments about this merger and encourage Key Bank to work with our impacted community.

Key Bank is the largest bank in our region. If the merger is allowed, Key Bank will have an even larger market share and our community will lose another financial institution. Unless significant improvements are made in their lending, investing, consumer products, branch services, charitable giving and community development activities, there is no benefit to the community of the proposed transaction.

This acquisition should not go through until KeyBank has completed and submitted a strong community benefits plan, demonstrating a clearly significant public benefit. If the acquisition is approved, it should be conditioned on our acceptance of a community benefits plan. This will be the best way to ensure that this transaction creates a legally required public benefit for the communities served. Also, if the ongoing negotiations regarding this cease to be productive, we reserve the right to oppose this transaction and request formal hearings at that time.

**We are concerned about a loss of market competition in Upstate New York.** There is a high degree of market overlap between the two banks, which will cause job losses and fewer banking options in our region.

**Residential Mortgage Lending.** Key Bank has not been active in home mortgage lending or homeownership programs in the Capital Region. Key should work with housing agencies and community groups to develop mortgage products focused on first time homebuyers that help low income households and borrowers of color enter our real estate market. Key should start by expanding its mortgage offerings in at least the following ways: (1) continue FNFG offerings of New York State Housing Finance Agency products (SONYMA); (2) offer conventional Fannie Mae and/or Freddie Mac products, and (3) continue to offer their Key Community portfolio product that does not require Mortgage Insurance.

Key Bank has verbally committed to a goal of \$5 billion or more in home mortgage lending to low and moderate income (LMI) borrowers and tracts during the time period of 2017 to 2022. We call on Key Bank to commit to greater than 20% or more increase in their combined lending.

Key should offer Community Land Trust mortgages to assist a growing number of homebuyers of homes on land with long term leases. Key also should partner with and invest in non-profit groups to enable local nonprofits to provide mortgage loans to low- and moderate income (LMI) borrowers who may not meet standardized underwriting criteria.

In the Albany MSA market and beyond, there is a great need for affordable acquisition/rehab products and reasonable home improvement products.

Finally, housing counseling has a well-proven track record of leading to success for homebuyers. Key should invest in and require comprehensive housing counseling for first time homebuyers through HUD approved agencies.

**Down Payment Assistance:** Key should offer a down payment assistance product such as the Federal Home Loan Bank of New York's (FHLBNY) First Home Club program. This grant program that matches consistent savings over time, coupled with housing counseling and good mortgage products has been shown to promote successful homeownership for low-income households. Key should consider an effort to regionalize the bank, creating a Key Bank of New York that can participate in the FHLBNY and be responsive to regional banking needs.

**Marketing and Outreach:** Marketing materials should be more transparent – for example, it should be clear to the consumer that the Key Community product has a higher interest rate in exchange for no Mortgage Insurance. A good step is to hire salaried loan officers who specialize in first-time buyer offerings who can work with local housing agencies, community organizations and branches. Creating a stronger branch network that serves renter communities is also needed to make residential loan products known and accessible.

**Residential Mortgage Servicing:** Key Bank's mortgage servicing, especially its foreclosure practices and protocols for working with delinquent homeowners, have been very limited and poorly executed. It is our understanding that Key intends to replace its current mortgage servicing operations, which we support as a good start.

**Loss Mitigation and Foreclosure Protocol:** Key should maintain and strengthen FNFG's systems and protocols for working with homeowners who are delinquent in their payments. Key must establish loss mitigation services, which at a minimum meet the requirements prescribed under state and federal laws and regulations for mortgage servicing. Improved practices should include a single point of contact for homeowners, a direct contact within Key for direct service providers, higher-level escalation contacts, loss mitigation options which include affordable and sustainable loan modifications to maintain homeownership to the greatest extent possible. Key must also implement improvements to ensure compliance with New York's mandatory settlement conference statute such as granting lawyers representing Key authority to settle cases and systems that foster good faith negotiations and avoid unreasonable delay.

**Personal Finance:** Low income communities need access to low cost checking accounts, affordable credit-building products and small loans for energy efficiency improvements and home repairs.

**Credit Accounts:** Key should increase access to small loans, secured credit cards and overdraft accounts and ensure that these products are well known and made widely available. Key must clearly promote credit building products on the website and in branches. To attract credit account business, Key should offer lower interest rates and fees on overdraft accounts and credit cards, and ensure that secured personal loans have a lower minimum amount to borrow (\$250 - \$500).

**Bank Accounts:** Bank accounts are critical and are necessary for any individual trying to save, establish their credit and gain wealth. Key has a reputation for high fees, with fees higher than First Niagara's. Fees impact all customers but disproportionately impact lower income account holders. These practices keep our neighbors unbanked, and will keep smart customers away from Key.

Since Key is staged to become by far the biggest bank in the Capital Region should the merger go through, it is imperative that Key address their fee structure. Key could regain banking business by reducing fees across the board. Key should also create bank accounts to meet the needs of lower-income customers. There are many ways Key could do this starting with reducing or eliminating fees on checking accounts, eliminating excessive and duplicative ATM fees, reducing required account balance minimums, and removing disincentives such as fees to obtain paper statements so that households without computers can more easily access account information and fees for non-Key Bank ATMs. Key should make access to electronic bank statements possible through public computers, such as at libraries. Key should strengthen the branch network so that consumers can receive personal assistance about banking products.

**Banking Accessibility:** Key has closed important branches in lower income neighborhoods. Closing overlapping branches with FNFG will mean not only a loss of banking services in already underserved neighborhoods, but in brick and mortar banking services altogether. In addition, branch closings mean a loss of middle-income jobs and benefits. Key needs to work proactively, responsibly and in good faith with communities that have been and will be negatively impacted by branch closures.

Key Bank has stated that they would commit to maintaining 20-25% of branches in LMI census tracts. We would like to see a goal of maintaining 27% of all their branches in LMI tracts and for them to discuss closures with a community advisory council.

**Bank Services:** We recommend Key carefully evaluate the branch network, and consider adding branch services in community centers. Key could add ATMs including walk-up ones, and join a network of ATMs such as the Allpoint ATM network. Key should better market check cashing services, and work with community organizations to offer a program to aid non-banked consumers who may be in the CHEX system to regain access to banking services.

**Small business lending:** Minority owned small businesses, low income entrepreneurs and businesses in low income neighborhoods are having difficulty accessing business loans from Key. Products Key does offer are not widely known.

KeyBank has verbally committed to \$2.4 billion or more in small business and small farm lending in LMI tracts during the time period of 2017 -2022. They have not shared specific market breakdown. We would like to see a 20% or greater increase over combined current lending in all or most markets.

We also urge Key to partner with the region's Community Development Financial Institution (CDFI), the Community Loan Fund of the Capital Region, to deliver good quality small business loans. Key can work with existing agencies to provide technical assistance to small businesses.

**Community Development Investment:** While we understand that Key takes pride in its leadership on strategic philanthropic investments in Cleveland, it is critically important that Key also be responsive to locally determined investment needs in our communities. For the largest financial institution in our region (prior to a merger), Key has not been active in funding community driven development. Key has become a specialist in investing in low income housing tax credit projects, but this kind of development is not community driven, not used in rural communities, and in fact, can lead to additional stresses on existing low income communities.

Key Bank has verbally committed to \$8.8 billion or more in community development and lending during the time period of 2017 – 2022. We need to discuss the specific market breakdown of this goal and see a 30% or greater increase over their current lending in all or most markets. Key needs to have flexible community development financing and sub goals for rural investments and community loan funds that benefit LMI borrowers.

**Community Development Fund:** We ask that Key Bank create a locally controlled Reinvestment Fund renewed and increased annually and dedicated to CRA community development work that addresses priority needs in our communities. Currently, areas of need include but are not limited to: grants for reinvestment in vacant buildings including the finance of acquisition and rehab of properties by nonprofits for sale to first time buyers or rent

to low-income households; investment in projects like health centers that rebuild and support low-income communities; support to create mixed income neighborhoods and encourage residents to purchase and invest in LMI neighborhoods; invest in housing counseling agencies to connect low-income consumers to good mortgage, credit and banking products.

We invite members of Key Bank to help us address community-driven redevelopment projects that are not well suited to tax credit investments. Albany has a robust and comprehensive non-profit infrastructure that needs creative financing tools to address blight in our neighborhoods.

**Philanthropy:** We would like to see Key Bank charitable efforts spread throughout all their markets with more of a focus on community development. Key Bank has verbally committed to \$35 million or more per year in grants and donations from the KeyBank Foundation over five years. We also request that if the purchase goes through, Key Bank continues to honor First Niagara's investments and grants and give at levels greater to prior giving of the combined foundations. Key states that they will generate significant cost savings if the merger goes through that should be used to assist impacted communities.

**Local Decision Making and Local Involvement:** The Albany area has lost a tremendous amount of local decision making by the acquisition strategies of both Key Bank and FNFG. Each merger has had a negative impact on consumers and our community. Along with that has been a loss of leadership in local civic engagement and community activities.

**Recommit to Local Communities:** Local market leaders should be empowered with greater decision making over CRA product development and investment. We hope Key employs more CRA officers who have deep roots and connections to the communities that Key serves. Key can reestablish regional community advisory councils as well as one nationally to help ensure that decision makers are familiar with and knowledgeable about the communities they invest in and keep their Community Benefits Plan on track.

### **Commitment to an Engaged Community Development Process**

The Capital Region community wants to partner with Key Bank, our largest financial institution, to address community development issues. We want to create a plan together through an on-going process of communication, both locally and with Cleveland, about community development and banking needs and solutions.

Members of the community remain committed to working with Key Bank on a mutually beneficial community development plan that addresses community concerns and establishes Key Bank as a leader in community improvements and strengthens their business in the region.

Sincerely,

Hon. Patricia Fahy, Member NYS Assembly 109th AD  
Hon. John T McDonald III, Member NYS Assembly 108th AD  
Hon. Kathy Sheehan, Mayor City of Albany  
Hon. Richard Conti, Albany Common Council  
Hon. Judd Krasher, Albany Common Council  
Hon. Leah Golby, Albany Common Council  
Hon. Cathy Fahey, Albany Common Council  
Hon. Marion Porterfield, Schenectady City Council  
Hon. Carolyn McLaughlin, President Albany Common Council  
Dominick Calsolaro, Second Ave NA  
Hon. Lynne Lekakis, Albany County Legislature  
Hon. Darius Shahinfar, Treasurer City of Albany  
Susan Cotner, Postenkill, NY  
Colin McKnight, NYS Rural Housing Coalition  
Empire Justice Center  
JAFJR Construction Services  
John O'Grady, West End, Albany, NY  
Louise McNeilly, Community Development Alliance  
Susan DuBois, Delaware Area NA  
Roger Markovics, Albany Community Land Trust  
Erin Reale, United Tenants of Albany  
Tracey Casseus, Housing For All  
South End Improvement Corporation  
Gene Solan, Neighborhood Resource Center  
Tom McPheeters, Albany County Land Bank Community Advisory Committee  
Willie White, AVillage  
Mansion Neighborhood Association  
Hilary Lamishaw, Castleton, NY  
Linda MacFarlane, Community Loan Fund of the Capital Region, Inc.  
Judy Eisgruber, Albany County Rural Housing Alliance  
Council of Area Neighborhood Associations

cc: Senator Schumer                      Senator Gillibrand  
      Representative Tonko              Office of the Comptroller of the Currency  
      National Community Reinvestment Coalition