

# Public Banking for Housing Justice



To meet the housing crisis head-on, New York must invest deeply in social housing. Social housing is non-speculative, permanently-affordable housing that is owned by the public or under democratic community or tenant control. To get New York on track, we must move away from profit-driven housing finance that ratchets up costs, enriches Wall Street speculators, and fuels displacement in Black and brown communities.

Public banks, created by local governments and chartered to serve the public interest, can expand social housing in New York by channeling needed capital to nonprofit housing developers, community land trusts (CLTs), and other affordable housing providers. Governor Hochul and the NYS Legislature must enact the New York Public Banking Act and pave the way for local public banks that will:

- ▶ **Provide direct low-interest loans to nonprofit housing developers and CLTs** for acquisition, construction, and rehabilitation of affordable rental and shared-equity housing. Additionally, public banks will help establish a secondary market for social housing loans, creating opportunities for pension funds, foundation endowments, and other investors to support social housing development.<sup>1</sup> As momentum builds for Tenant and Community Opportunity to Purchase legislation, public banks can support tenants and nonprofits in purchasing and converting properties to permanently-affordable social housing.
- ▶ **Expand the lending capacity of Community Development Financial Institutions (CDFIs) and other mission-driven lenders.** Across the state, CDFIs are financing shared-equity housing coops, deeply affordable rental housing, and affordable homeownership. Public banks will partner with CDFIs to significantly increase lending for social housing, through participation loans and by providing secondary capital equity investments in CDFI credit unions.
- ▶ **Purchase state and municipal bonds to fund social housing.** Public banks can become major buyers of shorter-maturity bonds issued by the NYS Housing Finance Agency, local and county land banks, and other bonding authorities.<sup>2</sup> In doing so, public banks will lower the cost of borrowing for local governments and recapture interest payments currently extracted by Wall Street investors. Bond yields will grow the public bank's capital base and, in turn, further expand its social housing financing.

## Big Banks Fuel the Housing Crisis

Many of the banks that hold public deposits – our public money – finance speculative development, foreclose on homeowners, and drive displacement in Black and brown communities. Banks like JP Morgan Chase and Capital One bankroll many of New York's most notorious landlords.<sup>3</sup> A recent report found that Wells Fargo approved fewer than half of Black homeowners' completed refinancing applications in 2020 – compared with 72% of white homeowners.<sup>4</sup> And thousands of Black and brown New Yorkers lost their homes as a result of banks' egregious racial targeting in the years leading up to the 2008 financial crisis.

**TAKE ACTION:** Tell your state legislators to pass the New York Public Banking Act and give local governments the tools they need to invest in social housing.

<sup>1</sup> Karl Beitel, *Municipal Banking: An Overview* (The Roosevelt Institute, 2016), <https://rooseveltinstitute.org/wp-content/uploads/2020/07/RI-Municipal-Banking-Overview-201604-1.pdf>.

<sup>2</sup> *Ibid.*

<sup>3</sup> Right to Counsel NYC Coalition, "Who's trying to evict tenants during the COVID-19 pandemic?," <https://www.worstevictorsnyc.org/list>.

<sup>4</sup> Shawn Donnon, et al., "Wells Fargo Rejected Half Its Black Applicants in Mortgage Refinancing Boom," *Bloomberg*, March 11, 2022, <https://www.bloomberg.com/graphics/2022-wells-fargo-black-home-loan-refinancing/?sref=2XhWEs2V#xj4y7vzkg>.