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# Where to Bank?: The Impact of Fringe Banking Services and Disinvestment in the Bronx and a Proposal to Enable Economic Mobility

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*"A nation will not survive morally or economically when so few have so much, while so many have so little."*

*-Bernie Sanders*

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# Introduction

In this paper, I intend to inform readers about the current financial crisis in urban inner-city communities. The high levels of concentrated poverty created a pattern of delayed economic growth in these communities and diminished any form of social mobility. The spatial organization and class transformations of the urban inner-city greatly limited accessibility to a plethora of resources, specifically access to sound financial institutions. The current spatial organization of the urban inner-city was developed through disinvestment and redlining techniques. Disinvestment is a series of progressive steps by which different mainstream institutions, such as banks and credit unions, remove themselves from neighborhoods they expect to deteriorate. The reasoning behind depriving communities of these necessary institutions is profit; the investment in high-risk areas is equivalent to mismanagement of depositors' funds and is ultimately counterproductive, both for the depositor and for the lending institution.[1] The geographical outlay has caused barriers within the inner city and plays a vital role in the economic well-being and social progression of the inhabitants of these inner-city "ghetto communities." I intend to analyze the spatial organization and disinvestment methods in The Bronx, which is the poorest congressional district in the United States, and the detrimental social and economic effects of the prohibited accessibility to viable mainstream economic institutions.

The Bronx is known for having the highest underbanked population, poverty rates, unemployment level, and lowest median incomes within New York City.[2] The economic decline the Bronx suffered from was due in part to disinvestment and redlining by both the federal

[1] Cassandra J. Harvard, "Doin' Banks," *University of Pennsylvania Journal of Law and Public Affair*s, Vol. 5, No. 3 (2020): 64-65, https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=1069&context=jlpa.
[2] Thomas P. DiNapoli and Kenneth B. Bleiwas, "An Economic Snapshot of the Bronx," (2018), 2. https://www.osc.state.ny.us/files/reports/osdc/pdf/report-4-2019.pdf.

government and wealthy investors. After World War II, the Bronx became more and more racially diverse and fell victim to “white flight,” which can be defined as the sudden migration of white residents of an area to escape diversity.

Predatory financial practices have caused the Bronx to become one of the most underbanked and underserved communities in the country. Many members of The Bronx community have been unable to access banks or credit, which has only deepened the continuous cycles of poverty within this community. In my research, I will be analyzing the extent to which the Community Reinvestment Act (CRA), a law passed that encourages regulated financial institutions to help meet the credit needs of their entire communities, has been applicable to highly concentrated poverty in urban areas, specifically The Bronx. Many banks have “redlined” entire areas of American cities as places where they would not lend. Deregulation trends caused the federal government to play a huge role in shutting out inner-city neighborhoods from traditional sources of credit. The Bronx needs government and social investment in order to revitalize its economy. I propose that applying methods of public banking will remedy the lack of financial inclusion in the Bronx, which has caused the continuous cycle of poverty found within the borough. I will address the current limitations of the CRA, its applicability, and the ways in which the CRA can be improved to adequately address the current issue of the underbanked population in The Bronx.

# Chapter 1: Identifying the Problem: Fringe Banking

In the United States, over a quarter of Americans are financially excluded from the traditional banking system and arguably economically unstable.[3] The U.S. financial services sector is based on a two-tiered system: the traditional "mainstream" system and the alternative "fringe" system.[4] The "average" American depends on the services of the mainstream financial system in order to cash checks, deposit and withdraw money, and access credit. The mainstream system is composed of regulated financial institutions, such as banks and credit unions. The alternative "fringe" financial system serves a variety of credit and payment options to largely low and moderate-income households, who barely interact with the formal banking system.[5] The fringe banking system upholds different financial services distributed by non-traditional financial institutions, such as check cashers, payday lenders, and pawnshops. The two-tiered financial system of formal and informal banks is often justified based on rational choice, meaning individuals opt to use fringe banks.[6] Although most of the individuals who utilize fringe services have the least amount of income and rarely participate in the formal banking economy; these users tend to pay higher interest rates and fees associated with business transaction costs than individuals who utilize the formal banking economy. If the consumer has a rational choice to save money in the long run, then why pay such high costs? The high-cost products and services of fringe banks are justified as filling a void in the regulatory system.[7] But this "void" in the formal banking system leaves people who primarily utilize fringe services vulnerable to

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[3] Harvard, "Doin' Banks," 64-65.
[4] Jane Cover, Amy Fuhrman Spring, and Rachel Garshick Kleit, "Minorities on the Margins? The Spatial Organization of Fringe Banking Services," *Journal of Urban Affairs* Vol. 33, No. 3 (2016): 317, https://doi.org/10.1111/j.1467-9906.2011.00553.
[5] John P. Caskey, *Fringe Banking: Check-Cashing Outlets, Pawnshops, and the Poor* (New York: Russell Sage Foundation, 1994), 5-11.
[6] Harvard, "Doin' Banks," 64-65.
[7] Harvard, "Doin' Banks," 66-67.

continuous financial distress and highlights a major discrepancy within the formal banking system. Although individuals have a "choice" to bank formally, there is not always an accessible route to access banking services for all consumers. This void of fringe banking exemplifies the inability of mainstream banks to offer accessible products to disadvantaged communities.

The popularization of the fringe system was due to a mix of political, economic, and regulatory forces that put pressure on states to loosen interest rate caps. Federal monetary policy centered around deregulation tactics, which were set to control inflation by increasing long-term commercial interest rates. This allowed banks and lenders to weaken rate caps of interest rates to attract consumers. Throughout the 1980s and 1990s, other regulatory changes allowed banks to diversify their investment activities and expand across state lines, contributing to growth and consolidation in the financial sector.[8] By removing previous restrictions, deregulation increased competition within banks, saving banks, and credit unions. Banks are profit-driven; thus, deregulation influenced many mainstream banks to close their branches in non-profitable neighborhoods, specifically low-income urban communities. Traditionally, low-income individuals used credit unions, and saving banks that were found within their communities, but since the consolidation of the banking sector, many turned to fringe services for their short-term financial needs.

### *Check Cashing Outlets*

Check-cashing outlets were originally designed to serve consumers who did not have a traditional bank account.[9] Check-cashing outlets grew convenient and served low-income

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[8] Jerzy Eisenberg-Guyot et. al, "From Payday Loans To Pawnshops: Fringe Banking, The Unbanked, And Health," *Health Affairs* Vol. 37, No. 3 (2018): 430, https://doi.org/10.1377/hlthaff.2017.1219.
[9] Charis E. Kubrin and John R. Hipp, "Do Fringe Banks Create Fringe Neighborhoods?: Examining the Spatial Relationship between Fringe Banking and Neighborhood Crime Rates," *Justice Quarterly,* Vol. 33, No. 5 (2014): 3, https://doi.org/10.1080/07418825.2014.959036.

communities as the deregulation of the banking industry resulted in higher fees to maintain a low-balance deposit account at mainstream banking services.[10] Check-cashing outlets (CCO) are the most commonly used fringe financial services.[11] The main function of a CCO is to provide liquidity and access to cash in a speedy fashion. CCO services allow individuals to cash payroll, personal, and government checks for a fee; therefore, consumers pay a percentage of the face value of checks to get them cashed.[12] Aside from check cashing, there are other convenient payment services that CCOs offer such as "utility and bill pay services, money transfer services, small consumer loans, money orders, telecommunications products (prepaid long-distance calling cards), automatic check-cashing machines, and other services such as fax transmissions (send and receive), copy services, postage stamps, and envelopes, notary services, mailboxes, and lottery ticket sales."[13]

Unlike traditional banking services that cover almost all payment services, CCOs charge a direct fee for their payment services. While check-cashing outlets cash more than 180 million checks worth more than $55 billion annually, there is a fee of 2.52% is typically charged to cash paychecks but service fees can reach as high as 5%.[14] Check-cashing outlets extract the majority of revenue from check-cashing fees. In order to provide cash advances on checks that still need to be cleared, CCOs use higher interest rates to compensate for cash checks that will be uncollectible due to insufficient funds or fraud. "People are willing to pay higher discount rates to advance the date of payment than they are willing to pay to delay the date of loss."[15] The

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[10] Christopher Choe, "Bringing the Unbanked off the Fringe:The Bank on San Francisco Model and the Need for Public and Private Partnership," *Seattle Journal for Social Justice* Vol. 8, No. 1 (2009): 369, https://digitalcommons.law.seattleu.edu/sjsj/vol8/iss1/14.
[11] Jean A. Fox, "Fringe Bankers: Economic Predators or a New Financial Services Model?," *Western New England Law Review,* Vol. 30, No. 30 (2007): 138, https://digitalcommons.law.wne.edu/lawreview/vol30/iss1/9.
[12] Fox, "Fringe Bankers," 138.
[13]Howard J. Karger, "Scamming the Poor: The Modern Fringe Economy," *The Social Policy Journal* Vol. 3, Iss. 1(2008): 48, https://doi.org/10.1300/J185v03n01_04.
[14] Fox, "Fringe Bankers," 138.
[15] Caskey, *Fringe Banking,* 81.

liquidity options of check-cashing outlets attract desperate consumers that must finance short-term obligations.

Check-cashing outlets utilize prepaid debit cards as a costly bank account substitute.[16] Outlets usually charge an activation fee and a fee for every time the card is refilled. This alternative is used when individuals cannot afford to utilize a checking account or do not have access to a formal banking institution. Banking at CCO can be costly for consumers, "Instead of keeping money in an insured account, check-cashing patrons carry cash unless they pay to load check proceeds onto a high-fee card or pay for a money order to hold cash."[17] Prepaid cards allow the consumer to have some discrepancy, but there is a larger transaction cost.

Another primary function of the CCO is to distribute payday loans. These informal "loans" are postdated checks lent to consumers based on their payday salary; consumers receive part of their total paycheck in immediate cash from outlets. Although it is called a payday "loan," these advancements are considered delayed check cashing transactions rather than short-term consumer loans. Check-cashing outlets utilize payday loans as most banks would utilize an unsecured loan since no collateral is needed. Payday loans were initially used to cover short-term, unforeseen costs and minimal cash-flow shortages; for instance, overdraft fees. There are very few requirements to be applicable for a payday loan; a borrower must have a bank account, identification, and a source of income, but is not required to demonstrate an ability to repay or possession of sound credit.[18] Although this can be beneficial to individuals with no sound possession of credit, payday loans often carry a very high rate of interest, upwards of 400% annual percentage rate.[19] Check cashing facilities do not report timely payments of payday

[16] Fox, "Fringe Bankers," 138.
[17] Fox, "Fringe Bankers," 140.
[18] Kubrin and Hipp, "Do Fringe Banks Create Fringe Neighborhoods?," 3.
[19] Peggy D. Hamilton, "Why The Check Cashers Win: Regulatory Barriers to Banking the Unbanked," *Western New England Law Review* Vol. 30, No. 1 (2007): 126, http://digitalcommons.law.wne.edu/lawreview/vol30/iss1/8.

loans to credit unions; therefore, the borrower does not have the ability to build mainstream credit or even establish a credit history.[20]

The structure of payday loans consequently favors payday lenders. Any lenders' sole objective would be to collect the debt owed to them; but, since payday lenders do not have to worry about their consumers' ability to repay, payday loans can usually carry excessive prices, prolonged terms, and unaffordable payments.[21] According to the Consumer Federation of America, at the end of 2010, payday lenders extended $29.2 billion in loan volume annually, with $4.7 billion in revenue for loans made by payday lenders.[22] Payday lenders do not operate under the same regulations as mainstream banking services; thus, consumers are left vulnerable. Although some federal policies are put in place to protect consumers from loan discrepancies, such as the Truth in Lending Act (TILA) which ensures any financial institution is providing transparent disclosure of loan terms, policies are too broad and poorly implemented to ensure the protection of borrowers.[23] Typically, payday loan borrowers, who are already low to moderate-income consumers, must continue to borrow to pay loan debt and other financial obligations; thus, deepening the consumer into a never-ending cycle of debt. “To more closely align the interests of borrowers and lenders, state policymakers should ensure that these loans are safe and affordable by limiting monthly payments to 5 percent of a borrower’s gross paycheck.”[24] Protecting consumers' ability to repay will ensure a consistent, successful, and timely repayment. Although borrowers might save more by depositing checks and waiting, their

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[20] Hamilton, “Why The Check Cashers Win,” 127.

[21] “Payday Loans Cost 4 Times More in States With Few Consumer Protections,” The PEW Charitable Trusts, April 2022,https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2022/04/payday-loans-cost-4-times-more-in-states-with-few-consumer-protections.

[22] Consumer Federation of America, “Payday Loan Consumer Information,” http://www.paydayloaninfo.org/facts#4.

[23] Choe, “Bringing the Unbanked off the Fringe,” 379.

[24] Nick Bourke, Olga Karpekina, and Gabriel Kravitz, “As Payday Loan Market Changes, States Need to Respond:Ohio’s Fairness in Lending Act is a good model for reforms.” The PEW Charitable Trusts, August 2018, https://www.pewtrusts.org/en/research-and-analysis/articles/2018/08/22/as-payday-loan-market-changes-states-need-to-respond.

preference to pay a fee and obtain the cash instantly may always depend on choice, but a necessity. The viable access to quick cash helps low-income individuals reach urgent financial needs, but the high annual percentage rate traps consumers giving a hefty return on investment to fringe lenders.

Check-cashing outlets serve an underrepresented segment of the market; low and moderate-income households. “CCOs are disproportionately located in low-income areas…New York State Banking Department found that 69 percent of CCOs in NYC were located in low-income census tracts.”[25] This disproportion can be attributed to the fact that the sector of fringe banking allows individuals who don’t have access to a bank account to have quick access to cash by paying higher fees. “Despite industry claims to the contrary, fringe banking is not cheap. The average payday loan of $325 with a term of two weeks and at the average interest rate of 16% costs the typical payday loan customer $52. This translates into an annual percentage rate (APR) of 400%. The short term of the loan period (two weeks is the industry standard) and the inability to pay in installments, means that borrowers are often unable to cover the check at the end of the loan term.”[26] CCOs offer more accessible hours and locations. Check cashers can present themselves to be more convenient as they are often open early in the morning, late into the evening, and on both weekend days. In comparison to mainstream banks, which have fixed hours of operation, check-cashing outlets are more accessible to the low and moderate-income, working-class population; consumers may not have the flexibility to leave work to cash a check or whose working hours extend beyond the traditional 9 am-5 pm schedule.[27] While formal banking institutions close earlier in the day, some check-cashing outlets can run on a 24-hour basis. In addition to hours of operation, check-cashing outlets are frequently found in

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[25] Caskey, *Fringe Banking,* 65.
[26] Cover, Spring, and Kleit, “Minorities on the Margins? The Spatial Organization of Fringe Banking Services,” 319.
[27] Hamiliton, “Why The Check Cashers Win,” 125.

low-income communities, specifically in the inner city. It is more convenient for these individuals to go to check-cashing facilities down the street, rather than a bank located on a completely different side of town.

Liquidity options, accessible hours, and high spatial concentration allow for check-cashing outlets to provide short-term convenience to low and moderate-income borrowers; but there are long-term detrimental effects of solely relying on check-cashing outlets. Check-cashing outlets offer minimal opportunities to build assets, wealth, and savings, which are crucial to an individual's financial well-being.[28] Unlike banks, which enable consumers to save, outlets serve as a one-stop shop for urgent financial needs. Although convenient, outlets' inability to offer credit-building opportunities or proper consumer protection can lead to the exploitation of low to moderate-income consumers.

## *Payday Loans*

As previously mentioned, payday loans are "cash loans" based on the customer's personal check held for future deposit by the check casher.[29] There are limited requirements to receive a payday loan; most consumers can take out a loan if they have a checking account, a steady job, and no history of writing bad checks. Payday loans offer an easy way to obtain a short-term loan; since most formal bank institutions no longer offer short-term loans, consumers have nowhere else to turn besides payday lenders.[30] "In 2015, 12 million Americans took out payday loans each year and spent $7 billion on loan fees. Though the interest rates commonly are disguised as fees, they effectively range from 300%-500% annual percentage rate (APR)"[31] Although when annualized, interest rates on payday loans are well in excess of the rates for conventional bank

[28] Hamilton, "Why The Check Cashers Win," 126.
[29] Hamilton, "Why The Check Cashers Win," 126.
[30] Choe, "Bringing the Unbanked off the Fringe," 376.
[31] Bill Fay, "Payday Lenders and Loans," 2022, https://www.debt.org/credit/payday-lenders/.

loans, which compare at "15% to 30% APR on credit cards or 10% to 25% rate for a personal loan from a bank or credit union in 2015."[32]

The majority of payday loan customers do not qualify for credit cards or other traditional forms of credit; therefore, payday loan institutions typically satisfy the short-term need for cash advances in many communities[33] Consumers who routinely utilize fringe banking services are more exposed to the high fees associated with borrowing money. Payday loan borrowers are more likely to fall into a debt trap due to the culmination of high cost, check holding, short repayment terms, and ability to pay.[34] Payday lending outlets serve as an indicator of community economic distress, as loans can portray that community members do not have short-term funds easily accessible. Payday lending resembles a double-edged sword: While lenders may serve a crucial financial need within underrepresented communities, lending evidently contributes to the "poverty penalty" which only exaggerates these communities' financial insecurity.[35] "The borrower has three options after obtaining the loan. First, the borrower can pay back the lender the face value of the check with cash. Second, the borrower can simply allow the lender to deposit the check on the specified date. Third, if the borrower cannot pay back the lender on the specified date, many states allow the borrower to extend the loan another two weeks. This extension is called a "rollover" of the payday loan. If the borrower were to roll-over his loan three times, it would cost $60 to borrow $100."[36] The consumer must not only pay the loan back but also receive extremely high interest on the total of almost $160 that the consumer must pay back. "The average borrower has eight to nine loans per year from a single lender."[37] These

[32] Fay, "Payday Lenders and Loans."
[33] Fay,"Payday Lenders and Loans."
[34] Fay, "Payday Lenders and Loans."
[35] Alice Gallmeyer and Wade T. Roberts, "Payday Lenders and Economically Distressed Communities: A Spatial Analysis of Financial Predation," Vol. 46, Iss. 3 (2009): 522, https://doi.org/10.1016/j.soscij.2009.02.008.
[36] Choe, "Bringing the Unbanked off the Fringe," 371.
[37] Fox, "Fringe Bankers," 139.

explicit fees often lead to a cycle of debt for the borrower. Borrowers of payday loans end up with a tremendous amount of debt accumulated without many options to repay.

There are serious repercussions for customers who fail to repay debt. If a borrower cannot repay the loan, it may be turned over to a collection agency and may result in the eventual loss of a house, car, or the garnishing of wages.[38] “Many payday loan customers do not qualify for credit cards or other traditional forms of credit. Thus, payday loan institutions fulfill the need for cash advances in many communities.”[39] Without the ability to rely on a consumer’s credit score to predict whether they will repay loans, lenders must shape the payday loan structure to ensure they will get paid. As all of the “risk” is placed solely upon lenders, high fees and interest rates absorb consumers' limited purchasing power; thus, leaving customers vulnerable to lenders' decision-making. Although payday loans fill the needed service of short-term cash advances within underserved communities, municipal-level policies targeting the protection of fringe consumers are necessary to ensure that risk is properly distributed between lender and borrower. Nonetheless, the irrevocable presence of payday lenders signals a financial hazard within these underrepresented communities and serves as a signal to residents of the economic uncertainty which surrounds them.[40]

## *Pawnshops*

A pawn shop loan is a relatively straightforward transaction. A pawnbroker makes a fixed-term loan to a customer who leaves collateral as a guarantee. “The customer is given a pawn ticket that includes their name, address, a description of the pledged goods, the amount lent, the maturity date, and the amount that must be repaid to reclaim the property.”[41] Property is

[38] Karger, “Scamming the Poor: The Modern Fringe Economy,” 46.
[39] Karger, “Scamming the Poor: The Modern Fringe Economy,” 46.
[40] Gallmeyer and Roberts, “Payday Lenders and Economically Distressed Communities,” 533.
[41] Karger, “Scamming the Poor: The Modern Fringe Economy,” 42.

returned once the customer gives their receipt and pays their debt, which may include additional fees within the specific time period. If the loan is not repaid on the exact date agreed upon, the collateral instantly becomes the property of the broker and the customer's debt is extinguished.[42] Pawn Shops provide small, fast loans primarily to customers with bad credit histories, low incomes, and high debt-to-income ratios.[43]

Similar to check-cashing outlets, pawnshops primarily serve and are spatially concentrated in low-income areas. Consumers in these areas are typically excluded from financial company loans due to the fact that they cannot pass credit-risk screening or obtain an unsecured bank credit card. Pawn Shops allow individuals to raise a certain amount of cash to meet expenditures with full discretion, convenience, and minimal questions asked.

### *Financial Distress in the Inner City: The Underbanked and Unbanked Population*

Low-income consumers who traditionally utilize the fringe banking system, are known as the unbanked and underbanked population. The unbanked are individuals, families, or households who do not participate in mainstream bank services or have any affiliation with banking institutions. Six percent of adults in 2019 did not have a relationship with a bank (no checking account), savings institution, credit union, or other mainstream financial service providers.[44] On the other hand, the underbanked are considered individuals who hold a bank account but rely primarily on Alternative Financial Services(AFS).[45] Sixteen percent of adults in 2019 had a bank account but heavily used an alternative financial service product.[46]

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[42] Karger, "Scamming the Poor: The Modern Fringe Economy," 43.
[43] Caskey, *Fringe Banking,* 3.
[44] Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020," Federal Reserve, 2020, 27. https://www.federalreserve.gov/publications/files/2019-report-economic-well-being-us-households-202005.pdf.
[45] Kubrin and Hipp, "Do Fringe Banks Create Fringe Neighborhoods?," 2.
[46] Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2019," 27.

The Alternative Financial Service industry is a multi-billion dollar for-profit institution. Approximately one-quarter (24.0 percent) of American households reported using AFS in 2015.[47] Payday lenders, for example, are now more common in the United States than Mcdonald's and Starbucks, combined.[48] The continuous growth of the alternative financial institutional "fringe" system is based on the "financialization of the American economy and extraction of money from the poor through a tiered system of financial service provision"[49] The spacial and social organization of the fringe banking institution has conveniently formed around moderate to low-income consumers. Most unbanked and underbanked report the reasons they do not have a checking account and utilize fringe banking are: "(1) they do not write enough checks to warrant one, (2) they have almost no month-to-month financial savings to keep in them, (3) they cannot afford high bank fees, (4) they cannot meet high minimum bank balance requirements, (5) they desire to keep their financial records private, and (6) they experience discomfort in dealing with banks."[50]

John Caskey believed that low income is the causation for the decrease in bank accounts amongst the unbanked and underbanked.[51] Aside from internal structural changes within the banking system, such as the closing of bank branches; most impoverished populations do not have the income to withstand a bank account. Caskey identified several social changes that led to lower income for the poor, including the loss of low-skilled jobs, increased immigration, and an increase in single-parent homes.[52] In 2019, 14 percent of black adults and 10 percent of Hispanic

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[47] Jacob W. Faber, "Segregation and the Cost of Money: Race, Poverty, and the Prevalence of Alternative Financial Institutions," *Social Forces* Vol. 98, No. 2 (2019): 6, https://doi.org/10.1093/sf/soy12.
[48] Faber, "Segregation and the Cost of Money," 6.
[49] Faber, "Segregation and the Cost of Money," 6.
[50] Karger, "Scamming the Poor: Modern Fringe Economy," 40.
[51] Mehrsa Baradaran, "How the Poor Got Cut Out of Banking," *Emory Law Journal* Vol. 62, No. 3 (2013): 533, https://scholarlycommons.law.emory.edu/elj/vol62/iss3/1.
[52] Caskey, *Fringe Banking,* 81.

adults were unbanked, versus 6 percent of adults overall.[53] As consumers, low-income individuals are making the choice to use fringe banking, but have limited income and accessibility to other mainstream financial institutions. While the presence of an alternative financial lender does not directly measure its use by those living in the neighborhood, it does represent a financial hazard and functions as both a signal and aggravating factor of economic distress in those communities.[54]

### *The Influence of Social Organization and Redlining on the Fringe Banking System*

Although fringe banking may seem to be filling a void for formal banks, fringe services only increase social exclusion and financial instability for the unbanked and underbanked population. "The Spatial Void Hypothesis" to analyze the extent to which fringe providers exploit the market niche that is vacated (or left vacant) by traditional providers, a niche that primarily serves low-income households and minorities by locating in those communities."[55] Since banks are leaving these inner-city communities excluded from mainstream services, the fringe banking industry fills in the void. The exorbitant cost or APRs onto the unbanked and underbanked furthering them into more debt. The fringe banks moved into neighborhoods vacated by banks, and in turn, the prevalence and market dominance of predatory lenders drove remaining mainstream banks out of many poor communities.[56]

In Wilson's "The Truly Disadvantaged,"[57] He examines similar ideologies to the Spatial Void Hypothesis; Wilson analyzes the extent to which social exclusion breeds a culture of

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[53] Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2019," 3.
[54] Gallmeyer & Roberts, "Payday Lenders and Economically Distressed Communities: A Spatial Analysis of Financial Predation" 526.
[55] Faber, "Segregation and Cost of Money," 6.
[56] Baradaran, "How the Poor Got Cut Out of Banking," 491.
[57] William J. Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy*, (Chicago: University of Chicago Press, 1987), 144.

poverty. The social isolation of the underclass in the inner city is based on the lack of contact or interaction with individuals or institutions that make up mainstream society. The social isolation of the urban underclass upholds the social structural constraints and continues to further limit the opportunities of underrepresented communities. Wilson defines the culture of poverty as the basic values and attitudes of the ghetto subculture which have been deeply internalized within institutions thereby influencing the behavior of the members of the community.[58] The social organization of the urban underclass has cultivated the current-day structural inequality, which is linked to the contemporary behavior in the inner city by a combination of constraints, opportunities, and social psychology.[59] The development of the urban underclass has been based upon the social transformations within the inner city. Wilson characterizes these changes as concentration and buffer effects. The notion of concentration effects implies specific constraints and opportunities associated with living in an inner-city neighborhood, where the population can be viewed as socially disadvantaged.[60] Buffer effects "refer to the presence of a sufficient number of working- and middle-class professional families to absorb the shock or cushion the effect of uneven economic growth and periodic recessions on inner-city neighborhoods."[61] Concentration effects continue to depress inner city communities as continued social transformations are used to further disadvantage residents. Wilson's methodology on the inner-city neighborhood can be applied to further understand the social organization of the fringe banking system and the effects of predatory lending within these communities.

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[58] Wilson, *The Truly Disadvantaged*, 144.
[59]Declan G. Blackett, "Voices from 'the back of the class': An examination of the potential role of education for regeneration from the perspective of residents from Limerick's regeneration communities," Mary Immaculate College, University of Limerick (2016): 35, http://hdl.handle.net/10395/2084.
[60]Marcia Watson, Derrick Robinson, Tiffany Hollis & Sheikia Talley-Matthews, "The 21st Century Color Line: Assessing the Economic and Social Impact of Urbanization and School Discipline," *Urban Education Research and Policy Annuals* Vol. 3, No.1 (2015): 72, https://journals.charlotte.edu/urbaned/article/view/353.
[61] Wilson, *The Truly Disadvantaged*, 144.

In his second book, "When Work Disappears,"[62] Wilson connects his ideas about social isolation to the declining availability of jobs. He described the effects of social isolation, which are social disorganization and the inability to create a sustainable economic environment. The social organization of a community revolves around one major factor: employment. Individuals who have proper accessibility to employment undergo a "perceived self-efficacy;" therefore, they will have the motivation to accomplish goals and develop healthier habits in order to maintain employment.[63] Social organizations are only achievable under three specific circumstances: (1) The availability and interdependence of institutional social networks; (2) the degree to which residents can freely exercise their personal responsibility to address structural issues within their neighborhood (3) the amount of resident participation within formal organizations.[64] The social organization of the inner city will create more opportunities for employment and relationships with institutional networks, such as the formal banking system.

Redlining is referred to as the ways in which racial segregation shaped the prevalence of "subprime" mortgage use and is regularly used to highlight racial inequalities within the housing market.[65] Subprime lending deals with credit providers that specialize in borrowers with low or "subprime" credit ratings. "The primary mechanism connecting residential segregation to housing finance outcomes is that segregation creates easily identifiable local markets for subprime lenders to target and avoid; therefore, reinforces the idea that segregation facilitates commercial exploitation, especially in finance."[66] The same redlining techniques used in the housing market can be applied to the financial services market. Banks usually participate in redlining, which refers to the practice of drawing a red line through certain neighborhoods and

[62] Williams J. Wilson, *When Work Disappears: The World of the New Urban Poor* (New York: Knopf, 1996).
[63] Wilson, *When Work Disappears,* 75.
[64] Wilson, *When Work Disappears,* 75.
[65] Faber, "Segregation and Cost of Money," 5.
[66] Faber, "Segregation and Cost of Money," 6.

refusing to lend there due to historic and systemic poverty, racism, or lack of adequate collateral.[67] The mainstream banking systems' participation in disinvestment strategies allows for the organization of the fringe banking system to further develop; leaving a higher prevalence of fringe banking in predominantly inner-city and racially marginalized communities.

There is an apparent link between the spatial organization of low-income communities, redlining, and the fringe banking system. Without the availability of jobs, the unbanked and underbanked population cannot hold a bank account due to fees, lack of income, and minimum balance requirements with checking accounts. Job security is the root of social organization. The highest unbanked and underbanked populations are located within low-income inner-city communities, such as The Bronx. In order for individuals to fully utilize the mainstream financial system, there must be more accessibility to jobs first. Social organization is only possible if the mainstream banking sector offers inner-city communities accessible and inclusive methods to receive financial services, such as credit-building opportunities, in order to reverse the disinvestment and cycle of poverty left by the void of banks.

[67] Baradaran, "How the Poor Got Cut Out of Banking," 494.

# Chapter 2: The Development of the Bronx's Urban Plan

The formal banking systems' consolidations and disinvestment practices primarily impacted inner-city, racially marginalized communities. The actions of the formal banking institutions left community members struggling to meet mainstream financial needs. Although the fringe banking system's initial purpose was to satisfy a specific, short-term financial need, fringe banking services became the most convenient form of banking in inner-city, marginalized communities. The lack of spatial and financial accessibility to mainstream banking methods highlights an important connection between the intra-metropolitan organization of economic vulnerability and financial services.[68] The organization of the inner-city urban plan demonstrated a failure to connect these economically vulnerable communities to viable mainstream institutions. "Urban spatial planning and land-use regulation have contributed to the isolation of the poor by creating a dual structure of land tenure and economy, which excludes the livelihood activities of the poor from large parts of the city…Isolation is a dimension of deprivation, both geographical isolation, and exclusion from services, markets, and economic support."[69] In the case of mainstream banking institutions, deregulation and redlining methods minimized the presence of formal banks leaving the unbanked and underbanked populations isolated from livelihood activities such as banking and credit-building opportunities. On average, fringe banking services are significantly less common in neighborhoods with higher incomes relative to other economically vulnerable neighborhoods within the same metropolitan area.[70] This is the case within New York City; among all the boroughs, the Bronx has the highest share of

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[68] Faber, "Segregation and the Cost of Money," 22.
[69] Tony Lloyd-Jones and Carole Rakodi, *Urban Livelihoods: A People-centered Approach to Reducing Poverty* (London: Routledge, 2002), 191. https://doi.org/10.4324/9781849773805.
[70] Faber, "Segregation and the Cost of Money," 22.

underbanked households at 30.5 percent, while Manhattan has only 21.1 percent.[71] In addition, the Bronx has the highest poverty and unemployment rates to go along with its high share of underbanked households.[72] Unfortunately, the Bronx's urban plan has been manipulated to fill the needs of specific consumers rather than developing accessible methods for community members to obtain job security and credit. In this chapter, I intend to analyze how the Bronx's urban plan has contributed to the organization of alternative financial services and the disappearance of mainstream banking services. I will further investigate the ways in which the spatial organization of the Bronx allows for predatory lending and limits access to viable credit and employment opportunities.

## *White Flight: The Poverty Trap That Leads to Urban Decay*

In order to fully understand the Bronx's current urban spatial organization, we must analyze the monumental demographic shifts within cities in America throughout the mid-20th century. During the late 1940s to early 1980s, inner-city communities experienced an out-migration of whites to the suburbs, called "white flight," which was coupled with socioeconomic decline called "urban decay." White flight related to urban decay because investment in the inner-city communities was much more limited once white consumers fled. As Black populations began to seek refuge from the oppression and terror of the Jim Crow South, they sought to pursue new economic opportunities in more industrialized areas, which were primarily inner-cities.

[71] Caroline Ratcliffe, Signe-Mary McKernan, Emma Kalish, "Where Are the Unbanked and Underbanked in New York City?" Urban Institute, September 2015, 8, https://www.urban.org/sites/default/files/publication/71511/2000430-where-are-the-unbanked-and-underbanked-in-new-york-city.pdf.

[72] Ratcliffe, McKernan, Kalish, et al. "Where Are the Unbanked and Underbanked in New York City?" 8.

Millions of Black southerners migrated to northern and western U.S. cities from 1940 to 1970, in the second half of the Great Migration.[73] But when cities began to merge, whites began to leave due to a response to the crime rates and social association with minority populations. The White Flight and Great Migration can be compared to the "invasion-succession" model. This model illustrates what neighborhood change represents in the context of urbanization. As one population moves into or "invades" a neighborhood, the original population leaves. "Once the proportion of non-whites exceeds the limits of the neighborhood's tolerance for interracial living, whites move out."[74] There is a certain limit of tolerance associated with the "invasion-succession" model, in this case, the limit can be defined as a racial tension or racial tipping point.[75] Besides the racial tension during this time period, white populations fled due to the proximity to poverty that came along with the migration of minority populations. John Kain developed the "Spatial Mismatch Hypothesis" to explain why inner city communities decline as wealthy consumers leave.[76] As many companies and industries leave inner cities with a desire to follow the money and stay competitive, the demand for labor moves away from these communities and follows the high-growth rate in white areas. This leaves fewer jobs per worker in marginalized, inner city low-income areas than in white areas; therefore causing workers difficulty "finding jobs, accepting lower pay, or having longer commute times."[77]

In the case of the Bronx, local demographics are always subject to change, but there was a complete social transformation in racial demographics between the 1950s and the 1980s. In the

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[73] "The Great Migration," HISTORY, accessed May 2, 2022, https://www.history.com/topics/black-history/great-migration.
[74] Lindsey Haines, "White Flight and Urban Decay in Suburban Chicago," Digital Commons @ IWU (2010): 4-5, https://digitalcommons.iwu.edu/econ_honproj/112.
[75] Haines, "White Flight and Urban Decay," 4.
[76] Haines, "White Flight and Urban Decay," 6.
[77] Haines, "White Flight and Urban Decay," 6.

1950 census, the ethnic makeup of The Bronx was predominantly white.[78] From 1960 to 1970, the black population of The Bronx increased from 164,000 black residents to 357,000 black residents. Within the same ten years, the white population in the Bronx decreased from 1.26 million to 1.08 million.[79] As the black population increased in the borough, the white population decreased. The demographic shifts in the 1970s represent the migration of the white population, the "white flight," from the Bronx.

Beginning in the early 1970s, the nation as a whole began plummeting into an economic recession. By the 1980s, industrial capital largely had fled the urban North for low-wage and non-union areas of the country and the world.[80] The economic decline and urban decay of the Bronx coupled with the white flight movement during the 1970s economic stagnation. The shrinking economic and tax bases in American older cities, such as Bronx county, were exemplified by deindustrialization and the suburbanization of the white populations. As disinvestment intensified, mainstream institutions began leaving deteriorated neighborhoods with high black, immigrant, and minority populations; cities, such as The Bronx, became known as poor underclass "ghetto" populations.

By the 1980s, America's major inner cities were known for increased urban decay and depopulation; The Bronx was included in the many cities affected by the disinvestment post-white-flight. There was a need for "planned shrinkage," according to New York City Housing Commissioner Roger Starr, whose policy of public service dramatically cut poor neighborhoods under the Nixon administration's policy of benign neglect for poor and racially

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[78] Megan Roby, "The Push and Pull Dynamics of White Flight: A Study of The Bronx Between 1950 and 1980," *The Bronx County Historical Society Journal* Vol. 45, No. 1 and 2 (2009): 35-36, http://bronxhistoricalsociety.org/wp-content/uploads/2018/07/M.Roby_.pdf.
[79] Roby, "The Push and Pull Dynamics of White Flight," 35-36.
[80] Heather A. Thompson, "Rethinking the Politics of White Flight in the Postwar City Detroit, 1945-1980," *Journal of Urban History,* Vol. 25, No. 2 (1999): 164, https://journals.sagepub.com/doi/pdf/10.1177/009614429902500201

segregated communities [81] The Bronx, the poorest Congressional district in the United States, was the perfect place for Commissioner Starr to begin his plans to "shrink" New York City by clearing informal housing.“ The Bronx was the target of drastic cuts in fire departments and firefighting services, which led to immense fire destruction and continuous landlord abandonment, population displacement, and spikes in homelessness. The ensuing fire epidemic resulted from the "planned shrinkage" of municipal services in poor neighborhoods, which were known for being chronically "ill "or in the dying stage of their life cycle. "Planned shrinkage" was a new and more effective form of slum clearance, which began in 1970 and ended in 1990.[82] Through the withdrawal of municipal services in poor communities, urban "planned shrinkage" was an urban plan which constructed the removal of necessary services, such as banking, to marginalized, underrepresented communities. As Wilson previously stated, the inner city was going through an economic crisis with urban decay reaching an all-time high and a lack of social organization.[83] During the 1990s, the Bronx, like many other central cities, was left behind in the American recovery process. The Bronx became a centralized "ghetto," with concentrated joblessness, crime, poverty, and minority populations; therefore, the "planned shrinking" of New York City exposed The Bronx to predatory lending services to fill the spatial void that mainstream financial institutions left after the white flight.

### *Disinvestment and Redlining Effects in the Bronx*

As previously stated, redlining is a disinvestment technique used to restrict Black homebuyers' from moving into certain communities. Redlining began in the 1930s when the Federal Housing Administration (FHA) was created to insure mortgages. If a neighborhood was

[81] Ivonne Audirac, "Shrinking cities: An Unfit Term for American Urban Policy?," *The International Journal of Urban Policy and Planning* Vol. 75 (2018): 13, https://doi.org/10.1016/j.cities.2017.05.001.
[82] Audirac, "Shrinking cities: An Unfit Term for American Urban Policy?," 14.
[83] Wilson, *When Work Disappears*, 75.

deemed as too much of a "risk," then banks wouldn't lend there. The "risk" associated with the loan primarily dealt with the racial composition of the area.[84] "Neither the percentage of black people living there nor their social class mattered. Black people were viewed as a contagion"[85] The FHA relied on maps drawn by the Home Owners' Loan Corporation (HOLC), a government mandated institution that consulted with local bank loan officers, municipal leaders, appraisers, and realtors to create "Residential Security" maps of cities.[86] Neighborhoods were color-coded on maps: green for the "Best," blue for "Still Desirable," yellow for "Definitely Declining," and red for "Hazardous."[87] "On the maps, green areas, rated "A," were indicated as in demand neighborhoods that, as one appraiser put it, lacked "a single foreigner or Negro." These neighborhoods were considered excellent prospects for insurance. Neighborhoods, where black people lived, were rated "D" and were usually considered ineligible for FHA backing.[88] Neighborhoods considered high risk were often "redlined" by mainstream lending institutions, denying them access to capital investment and credit that could improve the housing and financial well-being of residents.[89]

As shown in **Figure 1**, there were extensive redlining techniques used by HOLC within the Bronx. While the only area that was considered desirable(green) was Riverdale, most of the other neighborhoods within The Bronx were either considered definitely declining(yellow) or hazardous(red). Most of the hazardous neighborhoods were concentrated in the South Bronx. Currently, the reminiscence of the HOLC redlining practices remain present in the Bronx. There is significantly greater economic inequality in areas where the HOLC deemed as "hazardous"

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[84] Emily Noko, "Redlining: How one racist, Depression-era policy still shapes New York real estate," Brick Underground, December 2016, https://www.brickunderground.com/blog/2015/10/history_of_redlining.
[85] Noko, "Redlining: How one racist, Depression-era policy still shapes New York real estate."
[86] Bruce Mitchell and Juan Franco, "HOLC 'Redlining' Maps: The Persistent Structure of Segregation and Economic Inequality," National Community Reinvestment Coalition, March 2018, 5, https://ncrc.org/holc/.
[87] Mitchell and Franco, "HOLC 'Redlining' Maps," 5.
[88] Noko, "Redlining: How one racist, Depression-era policy still shapes New York real estate"
[89] Mitchell and Franco, "HOLC 'Redlining' Maps," 4.

and are currently minority neighborhoods. To a lesser extent this is also true of areas where more of the HOLC low-risk, or “Desirable” areas have remained white.[90] This currently stands true in the Bronx, “While the poorest of the nation’s 435 congressional districts is located in the Bronx, it is also home to some affluent and middle-class communities, including Riverdale…”[91] In addition to location, the economic inequality left by HOLC redlining can also be depicted through the poverty concentrations in the Bronx. While the poverty rate in South Bronx neighborhoods, such as Morris Heights, Hunts Point and the Grand Concourse, were nearly 40 percent in 2016; Riverdale and Co-op City areas were below citywide average poverty rate, which was around 18.4 percent in 2016.[92] It is evident that most affluent-white individuals who still inhabit the Bronx live in Riverdale, while the majority of poverty concentration is found within the South Bronx. Current-day rate of job growth and investment in the Bronx can also be attributed to the effects of HOLC redlining. For instance, while job growth remains slow in the Grand Concourse at 13 percent, the combined areas of Belmont, Pelham Parkway and Riverdale accounted for one-third of the private sector job gains in the Bronx between 2007 and 2017.[93] The Federal Housing Authority’s usage of HOLC maps to construct lending guidelines left a legacy of redlining in the Bronx neighborhoods; thus, influencing the spatial organization of the Bronx urban’s plan.

The Federal Housing Authority used redlining to disinvest in inner-city communities, but furthered investment in predominantly white-populated areas, such as suburbs. The FHA subsidized the construction of entire suburbs, which included 85 percent of New York-area subdivisions built during the 1930s to 1940s, with explicit restrictive covenants preventing the

[90] Mitchell and Franco, “HOLC ‘Redlining’ Maps,” 4.
[91] DiNapoli and Bleiwas, “An Economic Snapshot of the Bronx,” 2.
[92] DiNapoli and Bleiwas, “An Economic Snapshot of the Bronx,” 7.
[93] DiNapoli and Bleiwas, “An Economic Snapshot of the Bronx,” 6.

sale of homes to African-Americans.[94] “The underwriting manual of the Federal Housing Administration said that incompatible racial groups should not be permitted to live in the same communities, meaning that loans to African-Americans could not be insured.”[95] The FHA policy displayed the federal government losing interest in the city as banks became hesitant to finance mortgages within the five boroughs in New York City. The FHA’s redlining techniques influenced the disinvestment within the Bronx’s urban plan.

During and after World War II, industries and jobs moved regionally from city centers to suburbs; As I mentioned, this was the prevalent case within New York. Residential suburbanization left inner city centers disenfranchised. The decline in urban investment within the inner city led to formal banking institutions taking deposits in older city cores but refusing to invest in working class and poor areas, such as the South Bronx.[96] White populations of the working class moved to suburbs or the North Bronx as Puerto Rican and African Americans were subjected to the declining South Bronx due to predatory real-estate practices.[97] Redlining made it so residents could not get insurance or mortgages and landlords had no incentive to invest in their properties. “The lack of financing led many landlords to focus on short-term profits (or sell their buildings to people who were willing to follow this model), neglecting maintenance, stripping buildings of plumbing and appliances, and sometimes even burning the building down for fire insurance.”[98]

In the 1960s, urban renewal projects led to the deindustrialization of the South Bronx causing a movement of jobs, people and capital out of the “ghetto.” Deindustrialization made it

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[94] Terry Gross, “A 'Forgotten History' Of How The U.S. Government Segregated America” Interview with Richard Rothstein (2017), https://www.npr.org/2017/05/03/526655831/a-forgotten-history-of-how-the-u-s-government-segregated-america.
[95] Terry Gross, “A 'Forgotten History' Of How The U.S. Government Segregated America.”
[96] Catherine C. Guimond. “Battle For The Bronx: Neighborhood Revitalization In a Gentrifying City,” UC Berkeley (2013), 9, https://escholarship.org/uc/item/89m851zb.
[97] Guimond. “Battle For The Bronx,” 9.
[98] Guimond. “Battle For The Bronx,” 10.

difficult for minority populations in the South Bronx to find good-paying jobs.[99] As white workers left, the growing gap between tenant incomes and housing costs increased. Low wages and joblessness ravaged neighborhoods in the South Bronx, leaving tenants with barley enough to make ends meet.

New York City's fiscal crisis in the 1970s created conditions that allowed furthered disinvestment in the Bronx. During the 1970s housing costs went up due to rising oil costs, high interest rates and inflation.[100] The disinvestment of individual buildings by landlords and private interests, such as banks and businesses disinvestment, was intensified by city policies made in response to the fiscal crisis and reflected the city's inability to draw enough revenues to cover its expenditures.[101] "FHA mortgage insurance allowed local banks to make non-local mortgages with much less risk. Deregulation and redlining led Bronx banks to make very few investments in the borough after 1966. In 1975, Dollar Savings Bank, which was the largest bank in the Bronx and the fifth largest savings bank in the country, made only 32 mortgages in all of the Bronx."[102] "In 1975, Congress passed the Home Mortgage Disclosure Act, requiring banks to make public the data on all home loan applications including race, income, and neighborhood of the applicant, and whether the loan was approved or denied."[103] This act highlighted the bank disinvestment and redlining practices, which left a gap in banking that would be filled by the overwhelming amount of check cashers, pawnshops, and payday lenders. Disinvestment practices used by policymakers allowed for fringe and subprime financial services to fill the spatial void left by mainstream banking institutions.

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[99] Guimond. "Battle For The Bronx," 9.
[100] Guimond. "Battle For The Bronx," 14.
[101] Emily Badger, "How Redlining's Racist Effects Lasted for Decades," *The New York Times*, August 24, 2017, sec. The Upshot, https://www.nytimes.com/2017/08/24/upshot/how-redlinings-racist-effects-lasted-for-decades.html
[102] Guimond. "Battle For The Bronx," 14.
[103] "Banking in the Bronx: Assessing Options in a Historically Redlined and Underbanked Borough." University Neighborhood Housing Program (2012), 1, https://unhp.org/pdf/BankingInTheBronx.pdf.

Bank disinvestment in the Bronx also caused there to be a lack of availability of credit, which has really significant impacts on every dimension of neighborhood life. For instance, the terms of the quality of real estate, the willingness of investors to come in, the prices of property, and the emergence of predatory practices are all direct consequences of the lack of affordable loans and job availability.[104] The legacy of this banking disinvestment contributes to income inequality and inaccessible credit opportunities within the Bronx today; In 2017, 24 out of 25 of the Bronx's zip codes were credit-constrained or were neighborhoods where access to credit for economic opportunity is depressed.[105] Although the Bronx has come a long way since this initial disinvestment, there remains much work to be done. The Bronx's unemployment rate is extremely high, and residents continue to live in impoverished conditions due to the barriers within the Bronx's urban plan. Continued private and public investment is needed in the Bronx in order to produce new jobs. The policy implications made by the Federal Housing Authority and the "planned shrinking" of New York proposed by Commissioner Starr shaped the Bronx's urban plan through pervasive disinvestment, deindustrialization, and banking deregulation methods. The social organization of the Bronx is needed to aid the reversal of the economic degradation within this community; but policymakers must focus on the expansion of jobs within the borough to ensure proper reinvestment.

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[104] Badger, "How Redlining's Racist Effects Lasted for Decades."
[105] Kausar Hamdani., *New York City Credit Profile 2018* (Federal Reserve Bank of New York, 2018), https://www.newyorkfed.org/medialibrary/media/outreach-and-education/community-development/credit-conditions/New-York-City-Credit-Profile-2018.pdf.

*The Spatial Organization of Mainstream Financial Systems: Where Are the Banks in the Bronx?*

The Bronx has both the lowest proportion of households with a bank account of any borough in New York City at 28.7% and the lowest concentration of bank branches per person of any county in New York State.[106] The shortages of bank branches within the Bronx influence the likelihood of those without bank accounts, and even some with them, to often utilize fringe financial services such as check cashers and pawn shops to meet their financial needs.[107]

In order to fully analyze the diminishing presence of mainstream bank systems in the Bronx, we must understand the spatial organization and movement patterns of banks within the borough. As I mentioned previously, formal banking institutions are needed to distribute homeowners mortgages, provide the adequate funding for business expansion, and develop credit history. During the late nineteenth and early twentieth centuries, some banks had their headquarters within the parameters of the Bronx. The first attempt to begin a bank in The Bronx was in 1860 in Morrisania, but this initial effort did not last long.[108] The first Bronx-based bank to prosper was established in 1888 as the Twenty-third Ward Bank. The bank grew within the borough; by 1907, two new branches opened. In the economic upturn of the 1920s, the Twenty-third Ward Bank was converted into the Bronx County Trust Company. Demographic shifts promoted the arrival of new homeowners to The Bronx, which allowed for the establishment of the first savings bank in the borough, the Dollar Savings Bank, in 1900.[109] The new formal banking institutions flourished momentarily, but these banks either failed in the

[106] "Guide to Banking in the Bronx," University Neighborhood Housing Program, 2014, 2. https://unhp.org/pdf/Guide_to_Banking_in_the_Bronx_Final_02-07-15.pdf
[107] "Guide to Banking in the Bronx," 2.
[108] Lloyd Ultan, "Bronx-Based Banks," January 25, 2016, http://bronxhistoricalsociety.org/2016/01/bronx-based-banks/
[109] Lloyd Ultan, "Bronx-Based Banks."

1930s Depression or were later merged into larger metropolitan banks due to the lack of investment within the community. No Bronx-based bank now remains.[110]

The cycle of financial crises contributed to the importance of lending institutions in the overall health of the economy. In addition to the Great Depression of the 1930s, the fiscal crisis in New York City during 1975 heavily impacted banking infrastructure within the Bronx. The crisis was primarily due to the financial institution's refusal to buy short-term New York City bonds, which left the city scrambling to cover its expenses.[111] "New York avoided filing for bankruptcy after the federal and state governments agreed to provide loans and other assistance while the state began to oversee city finances, threatening to intervene if unorthodox financial practices reemerged."[112] In order to maintain the crippling economic structure of the city during 1975, the municipal government laid off public employees, concentrated the provision of municipal services, and abandoned many of its extensive capital projects such as the building of new housing and banking initiatives.

As financial institutions, formal banks have played a key role in the housing crisis and cyclic recession patterns within New York City. In response to the economic crisis of 2008, there was a passage of the Dodd‑Frank Wall Street Reform and Consumer Protection Act (The Act establishes an orderly liquidation mechanism whereby the FDIC may seize, break-up and wind down a failing financial company whose failure threatens financial stability in the United States).[113] The act established the Consumer Financial Protection Bureau in order to properly oversee the spending and lending activities of financial institutions. Fortunately, reforms were

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110 "The Dollar Savings Bank building still stands on the Grand Concourse and is an individual New York City Landmark," http://www.neighborhoodpreservationcenter.org/db/bb_files/Dollar-Savings-Bank-Building.pdf
111 Themis Chronopoulous, "The Rebuilding of the South Bronx after the Fiscal Crisis," *Journal of Urban History* Vol. 36, No. 6 (2017): 936, https://doi.org/10.1177/0096144217714764.
112 Chronopoulous, "The Rebuilding of the South Bronx, 936.
113 David S. Huntington, and Paul, Weiss, Rifkind, Wharton and Garrison LLP, "Summary of Dodd-Frank Financial Regulation Legislation," Harvard Law School Forum on Corporate Governance, 2010, https://corpgov.law.harvard.edu/2010/07/07/summary-of-dodd-frank-financial-regulation-legislation/

also extended to the consumers who participate in the fringe banking system. "The Act instructs the Bureau's Director to establish an entire unit dedicated solely to consumers who are unbanked or underbanked."[114] This legislation allowed for a deeper insight into the provisions of fringe banking through regulations on fringe financial services. "Current federal consumer law constrains fringe banking transactions. The Act increases the likelihood fringe lenders will pay penalties for violating these laws as well as any rules the Bureau creates because it gives the Bureau significant enforcement powers."[115] Although certain federal legislation has passed to protect the rights of consumers and lessen the effects of future recessions, municipal policy in the Bronx must be enforced in order to protect consumers from fringe lenders. The New York City Council attempted to consider legislation for a Responsible Banking Act, which would have determined whether a bank is eligible to hold City deposits based on criteria of meeting the needs of small businesses, homeowners, nonprofits, and low and moderate-income residents.[116] Although this act was not passed, it displayed the current need for increased bank investment and support in the Bronx to ensure its economic progression.

Right across the river, Manhattan, New York City's richest borough, has four times as many bank branches per person as the Bronx.[117] Most of the Bronx's branches are spatially organized in clusters around large commercial outlets leaving midsize and small commercial areas virtually unbanked. **Figure 2** displays the geographical outlay of the formal banking system including different bank branches within the Bronx. As shown in **Figure 2,** Among the 150 branches in the borough, half are from one of the giant four "megabanks," which is considered a major mainstream formal banking institution, Chase, Bank of America, Citibank,

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[114] Jim Hawkins, "The Federal Government in the Fringe Economy," *Chapman Law Review,* Vol. 15, No. 1(2011): 36, https://ssrn.com/abstract=1766092
[115] Hawkins, "The Federal Government in the Fringe Economy," 35.
[116] "Banking in the Bronx: Assessing Options in a Historically Redlined and Underbanked Borough," 3.
[117] "The Bronx Needs Better Banking Options," Norwood News June 2015, https://www.norwoodnews.org/op-ed-the-bronx-needs-better-banking-options/

and Wells Fargo. 38 banks have only one Bronx branch and 70 percent of branches are from banks with more than $100 billion in total global assets.[118] Chase alone accounts for nearly a third of all Bronx bank branches, made possible by the acquisition of its closest competitor, Washington Mutual.[119] These larger institutions often charge higher account fees (if consumers don't meet certain minimum balance requirements) than small community banks. For instance, Chase, a megabank, owns most of the banks within the region, but only has 5 surcharge-free ATM's outside of the branch ATMs; on the other hand, Ridgewood Savings, which only has 7 branches provides access to 100 surcharge-free ATMs.[120]

Smaller, locally-based banks are also often more in touch with the needs and more responsive to the demands of our communities. For instance, Spring Bank only has one branch in the Bronx, but because of a partnership with Citi as well its membership in the MoneyPass ATM network, allows its customers access to surcharge-free ATMs all over the Bronx. Citi has also partnered with Neighborhood Trust Credit Union to allow NTCU members to access its branch and ATM network.[121] While NTCU only has one physical branch in Washington Heights, this partnership allows its members in the Bronx to access financial services all over the borough.[122] Community partnerships are needed to ensure that these large financial institutions cease destructive practices and ensure the developing relationships between the unbanked and formal banking institutions. More banking regulations and policies are needed to ensure low-income Bronx individuals are being supported by mainstream banking institutions.

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[118] "The Bronx Needs Better Banking Options," Norwood News
[119] "The Bronx Needs Better Banking Options," Norwood News
[120] "The Bronx Banking Guide," University Housing Program, 2018, https://unhp.org/pdf/FINAL_Guide_to_Banking_in_the_Bronx_English_2018_Online.pdf
[121] "Looking Back and Thinking Forward: Community Reinvestment Act at 40 Years," University Housing Program, July 2018, https://unhp.org/blog/cra-at-40
[122] "The Bronx Banking Guide," 2018.

Since the early 2000s, the number of bank branches across New York City has increased dramatically, new locations opening in wealthy and poor neighborhoods alike were supposed to offer access to savings accounts and credit that experts say can help alleviate poverty.[123]Although the push for banking has reached many areas across New York City, expansion has failed to reach most parts of the Bronx.[124] A large number of areas in the central and South Bronx remain lacking viable access to formal banking institutions, as check-cashing facilities far outnumber bank branches.[125] The limited access to formal banking institutions, loans, and credit has greatly contributed to the continued poverty cycle within many neighborhoods within the Bronx. The lack of accessible routes to sound financial institutions has caused communities to rely on fringe banking services as their primary method of banking. In fulfilling a branch role for mainstream banking institutions, fringe services availability of deposit and lending services within inner city communities has increased the volume of transactions and dependency. The spatial organization of banking within the Bronx has left holes within the community and has contributed to the Bronx's current state of urban decay.

[123] Sam Dolnick, "In a Slice of the Bronx, No Banks in Sight, for Now," New York Times, 2010, https://www.nytimes.com/2010/02/01/nyregion/01vannest.html
[124] Dolnick, "In a Slice of the Bronx, No Banks in Sight, for Now."
[125] "Guide to Banking in the Bronx," 2014.

# Chapter 3: A Deeper Look into the Legacy of Financial Exclusion & Efforts of Bank Regulations in the Bronx

The urbanization process should provide an opportunity to finance methods of long-term city development projects to achieve proper financial inclusion for the urban underclass communities. "Financial Inclusion is defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low-income groups at an affordable cost."[126] As catalysts for social and economic growth, financial institutions must take measures toward the financial inclusivity of inner-city populations. The high cost associated with fringe lending services does not provide a sustainable way to financially include the unbanked and underbanked populations. Instead, alternative financial services further exploit low-income communities into a cycle of poverty through methods of chronic borrowing; for instance, "Because of the high fees and very short terms, borrowers can find themselves owing more than the amount they originally borrowed after just a few rollovers (when the borrower is unable to repay the due so it renews for another short term period by paying additional fees) within a single year."[127] In addition to the direct costs of higher transaction fees and interest rates associated with short-term borrowing, the unbanked and underbanked must deal with the indirect costs arising from their reduced ability to handle unexpected shocks to income. Within the segregated environment of the inner city, any exogenous economic shock can cause a downward shift in the distribution of minority income (such as the suburbanization of employment in the Bronx during the 60s and 70s that I

[126]Sayantani Banerjee and Greeshma Francis, "Financial Inclusion and Social Development," *International Journal of Scientific Research and Management*, (2014): 14, https://www.researchgate.net/publication/358225913_Financial_Inclusion_and_social_development
[127] Michael A. Stegman and Robert Faris, "Payday Lending: A Business Model that Encourages Chronic Borrowing," *Economic Development Quarterly,* Vol. 17, No. 1(2003):19, https://doi.org/10.1177/0891242402239196

previously mentioned in Chapter 2); thus, these shocks not only increase the rate of poverty but intensify the concentration of poverty within the inner city community.[128]

Proper government and social investment are needed to aid marginalized, unbanked communities. Policies should be aimed to contribute to economic growth and social development by removing material constraints on the freedom of individuals to pursue their own economic interests.[129] On a microeconomic level, lack of adequate means of financial inclusion for households, in this instance households in the Bronx, have little to no ability to build credit histories or cover emergency critical expenses such as rent, utilities, and mobile phone bills.[130] The lack of financial inclusion has severe consequences for the macroeconomy, allowing the potential to hurt both equity and efficiency by reducing access to credit, which can be essential for wealth accumulation, entrepreneurship, homeownership, and economic development.[131]

As I mentioned previously, the decision of the New York City government to reduce spending and balance the city's accumulating debt came at the cost of cutting access to mainstream institutions in low-income areas, such as the Bronx. Disinvestment techniques were essential to the Bronx's economic decline in the 70s, such as the closure of many commercial bank branches and banks' refusal to give out loans to community members of the borough. "Despite three decades of efforts by the public, private, and non-profit sectors to develop the Bronx out of the wreckage of the 1970s, the borough has been unable to advance significantly relative to the region and the rest of the country. Any economic development strategy must not only focus on creating opportunities and improved working conditions for individuals but on

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[128] Douglas S. Massey, "American Apartheid: Segregation and the Making of the Underclass," *American Journal of Sociology* Vol. 96, No. 2 (1990): 337, https://www.jstor.org/stable/2781105.
[129] Martin Ravallion, "Challenges in Maintaining Progress Against Global Poverty," Vox EU, December 2015. https://voxeu.org/article/economics-poverty
[130] Council of Economic Advisors, "Financial Inclusion in the United States," Obama White House Archives, June 2016. https://obamawhitehouse.archives.gov/sites/default/files/docs/20160610_financial_inclusion_cea_issue_brief.pdf
[131] Council of Economic Advisors, "Financial Inclusion in the United States."

developing the strength and stability of the Bronx economy as a whole."[132] What began as a chain of fiscal setbacks with efforts of municipal government to reduce costs resulted in the urban decay of New York City's most impoverished borough, the Bronx, coupled with the continued displacement of mainstream financial services for years to come. The Bronx needs updated city-level municipal policies centered around financial inclusion in order to revitalize the economy and stimulate income growth amongst the unbanked and underbanked communities.

### *The Development of the Community Reinvestment Act*

Although there has been legislation put in place to aid the disinvestment from the 70s, such as the Community Reinvestment Act (CRA), there are continued lasting effects that limit access to proper banking methods in the Bronx. The CRA is both a New York State and federal law that encourages banks to meet the credit needs of all communities, including low and moderate-income areas.[133] This Act and its regulations authorize the Department to evaluate an institution's performance and to issue one of four possible ratings (1) Outstanding; (2) Satisfactory; (3) Needs to improve; and (4) Substantial noncompliance. Each institution is required to define its "assessment area" based on the location of its branches and the areas in which they make loans.[134] The CRA utilizes a detailed guideline to properly evaluate banks, depending upon whether the bank is a large bank, a small bank, an intermediate small bank, or a wholesale or limited purpose institution. This framework does not contain any quantifiable formulas, dollar figures, or lending ratios that must be achieved by an institution in a specific community; Instead, there is a usage of benchmarks (opportunities presented by a specific

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[132] Nicholas G. Iuvine, "Building a Platform for Economic Democracy: A Cooperative Development Strategy for the Bronx," SUNY Empire State College (2003), 62.
https://dspace.mit.edu/bitstream/handle/1721.1/59744/670430234-MIT.pdf?sequence=2&isAllowed=y
[133] Department of Financial Services, "The Community Reinvestment Act (CRA),"
https://www.dfs.ny.gov/apps_and_licensing/banks_and_trusts/about_cra
[134] Department of Financial Services, "The Community Reinvestment Act (CRA),"

community, the institution's product offerings, and business strategy; institutional capacity, constraints, etc.) to determine the satisfactory level of lending within a certain community.[135] In addition, the CRA does not contain any punitive measures, such as sanctions; rather, poor performance results in the prevention of expansionary tactics, such as mergers or new branch openings. The implementation of the CRA has allowed for increased lending in low-to-moderate income neighborhoods and allowed communities that were once redlined to responsibly use credit. CRA loans have been considered profitable; for instance, "CRA-covered retail lending institutions. Eighty-two percent of respondents reported that CRA home purchase and refinancing loans were profitable, and 56 percent reported that CRA loans were generally as profitable as other home purchasing and refinancing loans."[136] The continued effectiveness of the CRA depends on expanding legislation to reach nonbanks and its service area focus to serve the unbanked and underbanked populations.

Although the Community Reinvestment Act was supposed to be used as an investment tool to improve housing and bring private financing back to the disadvantaged in the Bronx; there are limitations to the law that have prevented the full reinvestment into low-income Bronx neighborhoods. Therefore, Does the CRA actually work for the deposits of the Bronx community and their financial wellbeing? The Consumer Financial Protection Bureau's working definition of financial well-being includes control over day-to-day finances, capacity to absorb shocks, being on track to meet financial goals, and having the financial freedom to make choices.[137] To

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[135] Department of Financial Services, "The Community Reinvestment Act (CRA)."
[136] Eugene A. Ludwig, "The Community Reinvestment Act:
Past Successes and Future Opportunities," Federal Reserve Bank of San Francisco, 2009: 92.
https://www.frbsf.org/community-development/publications/community-development-investment-review/2009/february/cra-community-reinvestment-act-success-opportunities/
[137] Caroline Ratcliffe, Signe-Mary McKernan, Emma Kalish, and Steven Martin, "Where Are the Unbanked and Underbanked in New York City?," Urban Institute, June 2015: 22.
https://www.urban.org/sites/default/files/publication/71511/2000430-Where-Are-the-Unbanked-and-Underbanked-in-New-York-City.pdf

an extent, the Community Reinvestment Act has helped the Bronx, but there are many limitations that have caused stress to the community members' financial well-being; therefore, there is a need to strengthen the CRA. Community-led reinvestment by the public and private sectors is needed today to reverse the economic degradation within the Bronx.

### *Credit Inclusion and Accessibility in the Bronx*

The financial inclusion of the unbanked and underbanked populations relies on the accessible means to credit-building opportunities. "Households with impaired credit, reflected by bouncing checks, working with a credit counselor, or being referred to a collection agency for failure to pay bills on time, are more likely to use payday loans and fringe banking services."[138] Since mainstream credit services are only offered by formal banking institutions, which are associated with high minimum balances and overwhelming overdraft fees, many people remain unbanked and underbanked; therefore lacking access to develop a credit history. "There are 660,000 households in the NY metro area without access to a bank account. The rates of unbanked households are much higher for people of color and low-income households: 14.9% of Black households and 18% of Hispanic households are unbanked, versus 6% for Asian households and 3% for White households. 29% of households earning less than $15,000 and 21.2% of households earning $15,000-$30,000 are unbanked. 30% of households without a high school degree are unbanked."[139] African American and Latino consumers depend on fringe lending systems more frequently than their white counterparts. Both groups also use credit cards at a lower rate than whites.[140] The banking activities, such as developing credit, that traditional

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[138]Stegman and Faris, "Payday Lending: A Business Model that Encourages Chronic Borrowing,":16
[139] Jaime Weisberg, "Modern-Day Redlining:The Burden on Underbanked and Excluded Communities in New York," (2020), https://www.congress.gov/116/meeting/house/110580/witnesses/HHRG-116-BA15-Wstate-WeisbergJ-20200306.pdf
[140] Jim Hawkins and Tiffany C. Penner, "Advertising Injustices: Marketing Race and Credit in America," *Emory Law Journal,* Vol. 70, No. 1619 (2021): 1628, https://ssrn.com/abstract=3924970.

mainstream services offer will allow for the most cost-effective debt option for low-income inner-city populations; therefore, individuals who are unbanked or underbanked need accessible routes to mainstream institutions. For these low-income individuals, access to credit is likely to be a larger component of their financial portfolio than income and net wealth. There is a correlation between the exclusion from mainstream banks, such as deprivation of credit opportunities, and the use of fringe banking.

Among the boroughs, the Bronx has the most neighborhoods (17 zip codes) that are identified as broadly credit-constrained. Credit inclusion in the Bronx remains among the weakest in the nation; nearly 333,000 residents remain outside the mainstream credit economy.[141] In addition, within The Bronx alone there are unbanked rates of over twenty percent; therefore, leaving a huge number of the Bronx population without access to a viable, credit-building financial institution.[142] These statistics display that there is a crucial need for the underbanked and unbanked in the Bronx to gain viable access to mainstream financial institutions. Although the majority of the Bronx population makes limited income, this does not mean they should fully depend on fringe banking services. Individuals still need mainstream banking in order to pay their bills and develop sound credit. As traditional banking services are profit-maximizing institutions, we must turn to policy to fully understand the choices and circumstances of the Bronx's population, we must explore the demographics and policies imposed within this region.

## *Current Bronx Demographic Statistics and Banking Policy Implications*

In order to fully understand the need for accessible mainstream financial services in the Bronx, we must take a deeper look into the makeup of the population. The population of the

[141] Federal Reserve Bank of New York, “New York City Credit Profile 2018,” 2018. https://www.newyorkfed.org/medialibrary/media/outreach-and-education/community-development/credit-conditions/New-York-City-Credit-Profile-2018.pdf
[142] Federal Reserve Bank of New York, “New York City Credit Profile 2018,” 2018.

Bronx based on the 2020 census is 1,435,070.[143] In **Figure 3**, we are able to see the racial composition of this population. As noted, both the "Black or African-American" and "Some Other Race" (mainly Hispanic) compose most of the Bronx's population. As I mentioned in Chapter 1, there is a correlation between the placement of fringe banking services and marginalized communities, which explains the frequency of check-cashing outlets in the Bronx. There is an apparent link between the racial composition of the Bronx and the number of underbanked population, which can be further displayed in **Figure 4**. The share of Black and/or Latino residents within New York City in the 10 Most Unbanked Neighborhoods (7 out of 10 neighborhoods pertain to the Bronx) is 89% in comparison to New York City overall, which is 51%. In comparison to the rest of New York City, there is almost twice the number of minority populations concentrated within the top 10 most unbanked neighborhoods. Evidently, the rates of unbanked can be much higher in low-income communities of color. The large presence of low-income, minority, underbanked neighborhoods within the Bronx exemplifies the desperate need for accessible routes to mainstream financial services.

**Figure 5** details the Household Income Distribution in 2020. From **Figure 5,** we can see that there is a range of income that displays 29.1 percent of households making less than 20,000 and 1.5 percent of households make more than 250,000. This figure indicates the high levels of wealth inequality within the Bronx. Financial inclusion is a fundamental part of dismantling wealth inequality as the financial exclusion imposed by mainstream banking services drastically influenced current existing wealth inequalities, such as job availability, stagnant wages, and lack of available income[144] The Bronx's range of household income mirrors The United States' range

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[143] "Bronx Population 2022," World Population Review, 2022, https://worldpopulationreview.com/boroughs/bronx-population
[144] Thomas Herndon and Mark Paul, "A Public Banking Option as a Mode of Regulation for Household Financial Services in the US," *Journal of Post Keynesian Economics* Vol 43, No. 4 (2020): 585, .https://doi.org/10.1080/01603477.2020.1734462.

in household income; While the majority of the population ranges in a lower income bracket, the minority ranges in the highest income bracket. In **Figure 8,** we see that households with incomes below 30,000 are primarily unbanked and underbanked within the tri-state area (NY, NJ, PA). Although **Figure 8** does not specifically include the Bronx, the highest concentration of unbanked population in New York City resides in the Bronx (7 out of the 10 most underbanked NYC neighborhoods pertain to the Bronx). Therefore, we can assume that individuals within the Bronx's low-income bracket of less than 20,000 **(Figure 5)** have a tendency to rely on utilizing fringe services to meet their financial needs . In addition, **Figure 4** highlights the share of families in poverty within the most unbanked neighborhood, 29 percent, in comparison to New York City, which is 15 percent; thus, signifying a connection between the concentration of poverty within the Bronx and unbanked/underbanked population.

Although there is a dense population of low-income households and banks are essentially "losing" money by staying in these communities; there must be some form of social investment in order to provide mainstream banking services to the poor in the Bronx. The investment within local, neighborhood banks can provide a cheaper alternative to high-cost check cashing stores or money transfer agents. Similar to traditional mainstream banks, local community banks are for-profit institutions; but, community banks would open more avenues to creating personal wealth through savings accounts and promote homeownership. The initiation of more local banks within the Bronx can provide capital for local small businesses that want to grow, create new jobs, and cheaper methods for family saving accounts.

Community Development Banks would help aid low-income Bronxites to meet basic financial needs. "The primary goals of the CDBs are to deliver credit, payment, and savings opportunities to communities not well served by banks, and to provide financing throughout a designated area for businesses too small to attract the interest of the investment banking and normal commercial banking communities."[145] Community Development Banks have six specific functions: (1) Payment system for check cashing and clearing, and credit and debit cards, (2) Secure depositories for savings and transaction balances, (3) Household financing for housing, consumer debts, and student loans, (4) Commercial banking services for loans, payroll services, and advice, (5) Investment banking services for determining the appropriate liability structure for the assets of a firm, and placing these liabilities, (6) Asset management and advice for households.[146] If the social investment was placed on Community Development Banks in the Bronx, there would be an increase in banking accessibility to all individuals regardless of income; therefore building more credit opportunities and movement away from the cycle of poverty.

. As displayed in **Figure 6.1** there is a labor force participation of 59.9 percent and a 10 percent unemployment rate in the Bronx. Social and Government investment must be made in order to circulate job growth within the Bronx and increase the labor force participation. Mainstream financial institutions in the Bronx have inadequately served low-income sectors of the Bronx community; therefore, if government investment is placed on CDB this will increase the economic standing of the Bronx. CDBs work as for-profit institutions, but since local government obligations form part of the CDB's profile, this will provide a source of reinvestment to the local community.[147] The development of CDB will promote job growth within the Bronx by providing small business loans, stimulating economic development, and fostering financial inclusivity.

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[145] Hyman P. Minsky, Dimitri B. Papadimitriou, Ronnie J. Phillips, and L. Randall Wray, "Community Development Banking: A Proposal to Establish a Nationwide System of Community Development Banks" *The Jerome Levy Economics Institute of Bard Colleg*e, No. 3(1993), 10. https://www.levyinstitute.org/pubs/ppb3.pdf
[146] Minsky, Papadimitriou, Phillips, and Wray, "Community Development Banking,"12-13.
[147] Minsky, Papadimitriou, Phillips, and Wray, "Community Development Banking," 17.

As the government is the vehicle to create income growth, the truly disadvantaged must be recognized through policies that promote financial well-being and economic mobility. "Based on Keynes 'General Theory,' the State has to establish controls and influence the propensity to consume; but since it is unlikely that banking policy is able to determine a sufficiently high investment through its influence on the rate of interest, comprehensive socialization of investment is necessary to assure full employment."[148] Although financial institutions serve as catalysts for economic and social development, government policy is needed to properly ensure that investment leads to the maximization of employment. As I mentioned, the implementation of Community Development Banks will assist the lack of income and unemployment currently found within the Bronx's underbanked population. Geof Gilbert(2019) states, "Every dollar shifted to a locally owned business generates two-to-four times more income, jobs, higher local tax revenues, and greater charitable contributions for local economies compared to every dollar spent at a non-locally owned business."[149] **Figure 6.2** displays the Bronx's Labor Force Participation by Age, **Figure 6.3** shows Bronx Employment Rate by Age, and **Figure 6.4** demonstrates the Bronx Unemployment Rate by Age; in each figure, the age group 16-19 has the lowest labor force participation, lowest employment rate, and highest unemployment rate. The upcoming generation of the Bronx would greatly benefit from the financial inclusion provided by Community Development Banks in the mainstream financial system. This will give a younger generation more accessibility to financial resources; thus, stimulating long-term economic growth within the borough. The issues of lack of income and unemployment can only be

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[148] Riccardo Bellofiore, "The Socialization of Investment, from Keynes to Minsky and Beyond," *Levy Economics Institute of Bard College,* Working Paper No. 822 (2014): 6, https://www.levyinstitute.org/publications/the-socialization-of-investment-from-keynes-to-minsky-and-beyond

[149]Geoff Gilbert, "Who Plans Our Political Economy? A Solidarity Economy Vision for Democratic Political Economy Planning," *Harvard Unbound,* Vol. 12, Iss. 1(2019): 127, https://search.ebscohost.com/login.aspx?direct=true&db=aph&AN=139043295&site=eds-live&scope=site.

remedied through required government regulation and stimulation to drive economic prosperity within the Bronx.

Geof (2019) describes Minsky's 'financial instability hypothesis' which was rooted in the belief that the current banking system exists in between cycles and that bank activity is pro-cyclical; therefore, banking activity increases as overall economic activity (economic growth) increases.[150] Although at first banks seek to make low-risk loans, as loans get repaid banks become more willing to lend; thus, leaving room for risky lending behavior. The banking sector's cyclical nature provides a source of instability within the economy. Although banks create our money, the banking sector's instability provides enough reasoning for government investment in a "democratically planned system for money creation."[151] Government investment is necessary to aid the Bronx's economic recovery. **Figure 7** points to the median current household income in the Bronx which is $40,008. In order to increase the median income, stabilize income and increase bank profits; the unbanked populations must build assets, establish credit histories, and create connections with formal banking institutions. The partnership between Bethex Federal Credit Union and New York check-cashing outlets was a perfect example of another method to bridge the gap between unbanked and the formal baking system;[152] This partnership provided an opportunity for unbanked Bronx households to stabilize income through lessen the cost of banking. The partnership was began 2001 and stated that "Bethex members are able to make deposits and withdrawals through the check cashers' Point of Banking (POB) terminals at no cost. These POB terminals are essentially ATMs located within cashier windows, and customers and cashiers conduct transactions jointly."[153] Partnership with a credit

[150] Gilbert, "Who Plans Our Political Economy?," 140.
[151] Gilbert, "Who Plans Our Political Economy?," 141.
[152] Michael A. Stegman and Jennifer S. Lobenhofer, "Bringing More Affordable Financial Services to the Inner City: The Strategic Alliance between Bethex Federal Credit Union and RiteCheck Cashing, Inc." *Chapel Hill, NC: Center for Community Capitalism* (2001), 10: https://digital.ncdcr.gov/digital/collection/p249901coll22/id/642065.
[153] Stegman and Lobenhofer, "Bringing More Affordable Financial Services to the Inner City," 10-11.

union allows CCOs to offer access to depository accounts; although the access is limited, this form of partnership would distribute the risk associated with payday loans between payday lender and borrower. Lenders will have more information to distribute loans and insure repayment; therefore, interest rates should be lower on payday loans and reflect this distribution of risk. The partnership offered expanded delivery of credit union services to people who are currently unbanked, drawing more low-income people into the financial mainstream by counseling them on saving money, establishing a credit record, and applying for loans.[154] Although the partnership did not last the long early 2000s, an extension of this partnership through municipal intervention for the current-day Bronx population will be extremely beneficial to the underbanked.

Within this chapter it is clear that the Bronx's current economic state is in dire need of revitalization. The only way to more effectively alleviate poverty within the Bronx is through the social and government investment within the borough.  Community-centered policies around community development banks will stabilize income, help households build credit histories, and stimulate small business growth. Integrating the underbanked into mainstream financial services will lessen the impact of exogenous economic shocks on Bronx households income; therefore, stabilizing the overall New York City economy. Further regulation of fringe services is needed within the Bronx to promote financial inclusivity and help the overall financial well-being of Bronx residents.

[154] Stegman and Lobenhofer, "Bringing More Affordable Financial Services to the Inner City," 10-11.

# Chapter 4: Bringing the Bronx's Unbanked/Underbanked Population off the Fringe: Public Banking Methods and Extension of the CRA

As I have previously stated, there is a current need to aid the disadvantaged underbanked populations in the Bronx. Although the Bronx has come a long way from its initial stage of utter disinvestment, there is still much work to be done to aid the economically depressed communities in the borough. The spatial concentration of banking and the low quality of the fringe banking services have created deepening financial exclusion in the Bronx. Bringing fringe bank consumers into the banking mainstream requires that the financial impediments that banks face in offering those accounts be resolved. There have been a number of proposed solutions to generate income growth and create accessible routes to mainstream financial services and credit, but not all methods are deemed successful.

## *Proposed Public Banking Method: Postal Banking*

A system of banking must provide: (1) the ability to create money, (2) a range of financial services, (3) short-term loans, (4) long-term funding for purchases of financial assets, and (5) housing finance.[155] The 21st-century monetary system ensures that each money-creating institution accepts money created by any other bank at "its stated value."[156] The development of a public bank system would ensure a "democratically" owned and controlled money creation institution; thus, specifically focusing on meeting the needs of the people.

One method that has been used to help bring the unbanked population to mainstream financial services is the postal banking method. Public postal banks provide retail banking to consumers who are otherwise entirely without access to private retail banking or who had been

[155] Gilbert, "Who Plans Our Political Economy?," 141.
[156] Gilbert, "Who Plans Our Political Economy?," 141.

without access to affordable, non predatory retail banking.[157] In 2014, the U.S. Postal Service Office of Inspector General released a white paper proposing that the Postal Service provide non-bank financial services to individuals who are underserved by the traditional financial sector.[158] The proposal details the Americans' trust and familiarity with the postal brand and the importance of inclusivity in the financial services sector, specifically when considering the experiences of unbanked and underbanked individuals in dealing with fringe banking systems or untrustworthy financial service providers. The Postal Service could function as a basic credit intermediary, serving simple credit options, such as check cashing at a discount to its customers; As fringe banks do not need a banking charter to offer these simple types of credit, banking regulation can be arranged to allow postal services to offer similar services.

Although the post office has a level of trust and accessibility within inner-city communities, it does not represent the banking sector and will not properly help unbanked individuals. The unbanked and underbanked populations need a comprehensive program needed to effectively remedy financial exclusion. Postal banking would not provide the needed financial education and planning assistance that families in underrepresented communities need in order to maintain long term financial stability.[159] The U.S. Postal Service provides necessary services to low-income communities; Although the postal service may have certain constraints when it comes to profit-making, public banks should operate in a similar way. The only way to truly ensure the success of a public bank option is to ensure that it has proper means of accessibility similar to The U.S. Postal Service pinpoint for financial services is through establishing a public bank option.

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157 Gilbert, "Who Plans Our Political Economy?," 143.
158 Harvard, "Doin' Banks," 102.
159 Harvard, "Doin' Banks," 102-104.

*If the Shoe Fits: Applying the Bank on San Francisco Method to the Unbanked/Underbanked Bronx Population*

The Bank on San Francisco has developed innovative ways to dismantle the barriers between the unbanked populations and mainstream financial services.[160] The Bank on San Francisco illustrates the importance of integrating unbanked into the financial mainstream; the benefits uplifted the entire San Francisco community and became beneficial for the banks. "In 2006, Bank on San Francisco was officially launched as a joint effort between the city and county of San Francisco, the Federal Reserve Bank of San Francisco, local nonprofit EARN (Earned Assets Resource Network), and fourteen financial institutions."[161] The success of Bank on San Francisco is largely attributed to its ability to tailor particular accounts to the specific needs and concerns of the unbanked individuals. "Bank on San Francisco determined that partner banks would offer accounts that met certain requirements. These requirements consisted of accepting Mexican and Guatemalan Consular ID cards as primary identification, waiving of one set of NSF/overdraft fees per year, and no monthly minimum balance requirement. It also required opening accounts for those who have been on ChexSystems, a program which keeps track of those with poor banking histories."[162] Addressing the specific needs of the community and unbanked population, such as lack of identification and lack of income to withstand bank fees, has allowed for the fruition of the Bank of San Francisco.

The community involvement with the infrastructure of the Bank has also contributed to the long-term success and usage of the bank amongst the underbanked community within San Francisco. In order to reach out to the unbanked, the marketing groups made contacts with

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160 Choe, "Bringing the Unbanked off the Fringe," 385-386.
161 Choe, "Bringing the Unbanked off the Fringe," 385-386.
162 Choe, "Bringing the Unbanked off the Fringe," 385.

institutions and services likely to serve the unbanked population. "Such institutions and services include schools, unions, churches, community organizations, county welfare programs, community colleges, and businesses with significant numbers of entry-level jobs."[163] In addition, the inclusive marketing strategies that the Bank has used elevated the overall community reach and helped create a social network within the community. "An array of advertising materials for Bank on San Francisco's "Everyone is Welcome" campaign, such as brochures, paycheck stuffers, billboards, bus advertising, television and radio public service announcements, and posters. Advertisements for Bank on San Francisco make bold statements such as "Check Cashing Rips You Off" and "Check Cashing Shrinks Your Paycheck."[164] The partnership between the Bank on San Francisco and the Federal Reserve Bank of San Francisco displays the success of private and public investment within a community. Both sectors worked cohesively to ensure that community-based solutions were found to aid the underbanked.

The success of the San Francisco Bank displays a route inner-cities' can possibly take to achieve the financial inclusion of the unbanked population. This same framework can be applied to the current underbanked crisis within the Bronx. The development of a public bank in the Bronx will ensure that all individuals have access to "basic deposit and transaction services to all households, as well as plain vanilla consumer loans, such as small-dollar loans, auto loans, and mortgages."[165] The public bank would be a member of the Federal Reserve system and be regulated by the Federal Reserve and the Consumer Financial Protection Bureau as any other financial institution. This will dismantle the barriers placed surrounding financial institutions; thus, giving all individuals the opportunity to build credit, make timely payments, and own a bank account.

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[163] Choe, "Bringing the Unbanked off the Fringe," 387.
[164] Choe, "Bringing the Unbanked off the Fringe," 387.
[165] Herndon and Paul, "A Public Banking Option," 593.

Although public banking services should be developed as its own independent institution, providing banking services at postal offices would be a way to provide full accessibility to all Bronx community members. A public bank partnership with the postal services will allow individuals to tap into a greater geographic branch network, which would enhance access to brick and mortar financial centers. The postal branch network already contains the physical infrastructure required for universal access: a post office in every ZIP code.[166]

The similar infrastructure and demographic aspects within San Francisco allows the perfect outlay of a public banking system that can be applied to the Bronx. Although this will not fully erase the effects of disinvestment within the Bronx; it will surely aid the Bronx's unbanked population in receiving more equitable and credit-building financial services. Through development of public banking systems individuals will have access to mainstream financial banking institutions that display fairness and transparency. If public bank facilities operate on these terms of fairness they will "prohibit certain practices that are unfair or abusive such as hiking up the rate on an existing balance or allowing a consumer to go over limit and then imposing an over limit fee."[167] If public bank facilities operate on the means of transparency then "the rates and fees on credit cards will be more transparent so consumers can understand how much they are paying for their credit card and can compare different cards."[168] Redlining and disinvestment practices have historically deepened racial wealth gaps that existed in the Bronx, but the proposed method of a public banking option will open new doors for the financially excluded and provide a needed form of urban renewal in the Bronx.

[166] Harvard, "Doin' Banks," 98.
[167] Council of Economic Advisors, "Wall Street Reform: The Dodd-Frank Act," Obama White House Archives, https://obamawhitehouse.archives.gov/economy/middle-class/dodd-frank-wall-street-reform.
[168] Council of Economic Advisors, "Wall Street Reform: The Dodd-Frank Act."

*Strengthening the Community Reinvestment Act (CRA)*

Although the enactment of the Community Reinvestment Act(CRA) has been successful to the extent that it incentivized mainstream financial institutions to reevaluate lending opportunities in low-income neighborhoods, the CRA is not doing enough to address the credit needs of residents and businesses owners of low-income, inner-city neighborhoods.[169] The changing consumer financial services landscape since the CRA was designed, requires further adaptations to ensure that the CRA is upholding the economic well-being of its community members. Current CRA regulations prioritize loans to gentrifiers. As low-income neighborhoods, such as the Bronx, become rapidly gentrified by young professionals, the displacement of low-income households becomes more apparent. "Under the geographic distribution test in the current CRA framework, banks receive positive consideration for home mortgage and consumer loans made in LMI areas, even if they are made to middle- or upper-income individuals or families."[170] As gentrifiers buy homes within these poor communities, CRA regulators take loans to gentrifiers into account when they evaluate banks. The CRA is not properly serving low-income communities; while residents face displacement, banks receive limited repercussions.

In order to ensure the continued accessibility of loans to low-income communities, the CRA must hold banks accountable. "Any financial institution that provides essential consumer products must make that product available in a fair and transparent manner to low-to-moderate-income consumers in all communities in all broad geographies in which the entity does

[169] Cassandra J. Harvard, "Doin' Banks,": 98.
[170] Diego Zuluaga, "More Evidence that the CRA Doesn't Always Help Low-Income Communities. But Proposed Changes Will Improve It," Alt-M, January 2020, https://www.alt-m.org/2020/01/28/more-evidence-that-the-cra-doesnt-always-help-low-income-communities-but-proposed-changes-will-improve-it/.

more than an incidental amount of business in the product."[171] Amendments to the CRA must include specific strides within transparency and fairness to ensure that low-income consumers are being properly included within the mainstream banking system. All customers, regardless of income, must be provided with accurate information on the terms of products, and clear information about associated risks with lending.[172]

Although the CRA has made some strides in bringing financial inclusivity to marginalized neighborhoods, there is more work to be done, specifically within the Bronx. The CRA has not adequately addressed the issues of low-income consumers in the Bronx, and Bronx residents are taking note of the CRA's failures. Jumelia Abrahamson, a Bronxite and Director of Programs at University Neighborhood Housing Program, serves as an advocate for the reform of the Community Reinvestment Act. The University Neighborhood Housing Program is a community-based nonprofit that focuses on the displacement of Bronx residents and the reduction of income inequality within the borough. Abrahamson proposes a reform of the CRA to properly include the disenfranchised underbanked population. She stresses the importance of three fundamental principles to adequately integrate the underbanked into the mainstream economy: (1) Banks should be evaluated on the basis of whether they serve the financial needs of the communities they serve (specifically minority populations and low-to moderate income people), (2) Community input and needs must be the foundation of the CRA rather than the needs of the banks, (3) Banks must establish place-based commitments in order to ensure accessible methods to mainstream banking.[173] Without these specific amendments, the CRA is

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[171] Ellen Seidman, "A More Modern CRA for Consumers," Federal Reserve Bank of San Francisco, 2009: 108, https://www.frbsf.org/community-development/wp-content/uploads/sites/3/more_modern_cra_consumers1.pdf.
[172] Seidman, "A More Modern CRA," 109.
[173] Jumelia Abrahamson, "Comments regarding "Reforming the Community Reinvestment Act Regulatory Framework," Federal Deposit Insurance Corporation, 2020, https://www.fdic.gov/resources/regulations/federal-register-publications/2020/2020-community-reinvestment-act-regulations-3064-af22-c-410.pdf

limited and will not properly address the issues the disenfranchised communities continue to face.

Although certain public banking methods are not as successful as others, financial inclusion methods are needed in order to rebuild the Bronx. Without prompt social and government investment, Bronx residents will continue to face deeper disenfranchisement. There needs to be extensive investment within the borough through public banking methods and the extension of the CRA to ensure that Bronx residents' are protected from predatory lending practices. The application of the Bank on San Francisco methods within the Bronx will promote the financial revitalization of the economy by stimulating job growth, stabilizing income, and expanding credit-building opportunities for low-income minority residents.

## Conclusion

Throughout this paper, I have discussed the current predicament of the unbanked and underbanked populations' reliance on fringe services within the Bronx. Although fringe services initially were proposed to finance short-term financial needs, fringe banking has become the primary method of banking for unbanked populations. This dependency on Alternative Financial Services(AFS) in the Bronx has stemmed from the disinvestment and redlining tactics that occurred during the 1970s. Currently, fringe banking services outnumber mainstream bank branches in the Bronx. The legacy of banking disinvestment and redlining in the Bronx has contributed to the wealth disparities, lack of income, lack of small businesses growth, and lack of accessible routes to mainstream institutions.

The current economic state of peril within the Bronx has been dependent on multiple factors. The urbanization process of the Bronx has failed to properly create accessible methods to mainstream institutions, such as banks. The spatial organization of mainstream institutions deprives Bronx residents of fundamental social networks and has led to the economic degradation of many Bronx neighborhoods. The lack of social and government investment has led to the disenfranchisement of local institutions; therefore, creating a barrier for Bronx residents to reach their financial needs. There needs to be more financial inclusive investment in order to aid the Bronx's high poverty, unemployment, and underbanked levels.

A public banking system would redistribute wealth and financial accessibility to Bronx households. If the Bronx follows the San Francisco model of private and public partnership, unbanked and underbanked populations have the potential to integrate into the mainstream economy by building credit and earning more income. Public banks, as inclusive public service, will provide individuals with the proper financial instruments to accumulate wealth and better their financial well-being. As shown in **Figure 4**, there is a correlation between underbanked populations and concentration of minority groups. This shows that there is a racial bias associated with the overwhelming presence of AFS within the Bronx. Wherever minority groups are concentrated, that's where fringe banking services thrive. Without the proper extension of the regulation, the Bronx community remains vulnerable to predatory lending services. In order to ensure that public banks function effectively there must be restrictions placed on fringe banking services and profit-driven banks through the extension of the CRA. The CRA must be updated to ensure that low-income minority populations are being adequately included within the mainstream financial system. Although there is still much work to be done in the Bronx to ensure economic mobility, public banking would be the necessary first step to get the unbanked off the fringe.

# Appendix

**Figure 1. 1938 Home Owners Loan Corporation (HOLC) Redlining Map of the Bronx**
**Source: https://www.nycurbanism.com/blog/2020/6/8/mapmondays-holc-redlining-maps**

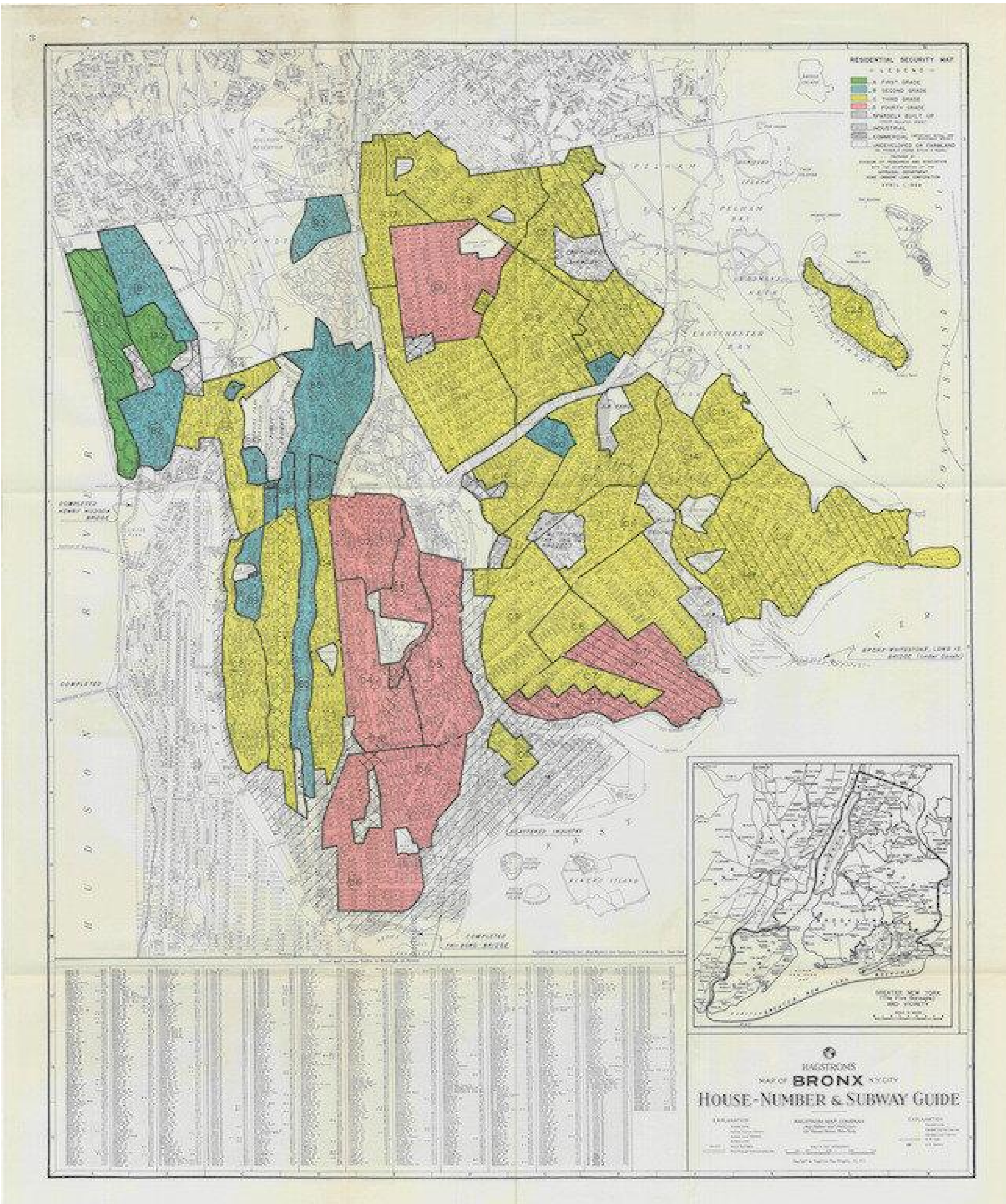

**Figure 2. Bank Branches in the Bronx, 2018**

**Source:** https://unhp.org/pdf/FINAL_Guide_to_Banking_in_the_Bronx_English_2018_Online.pdf

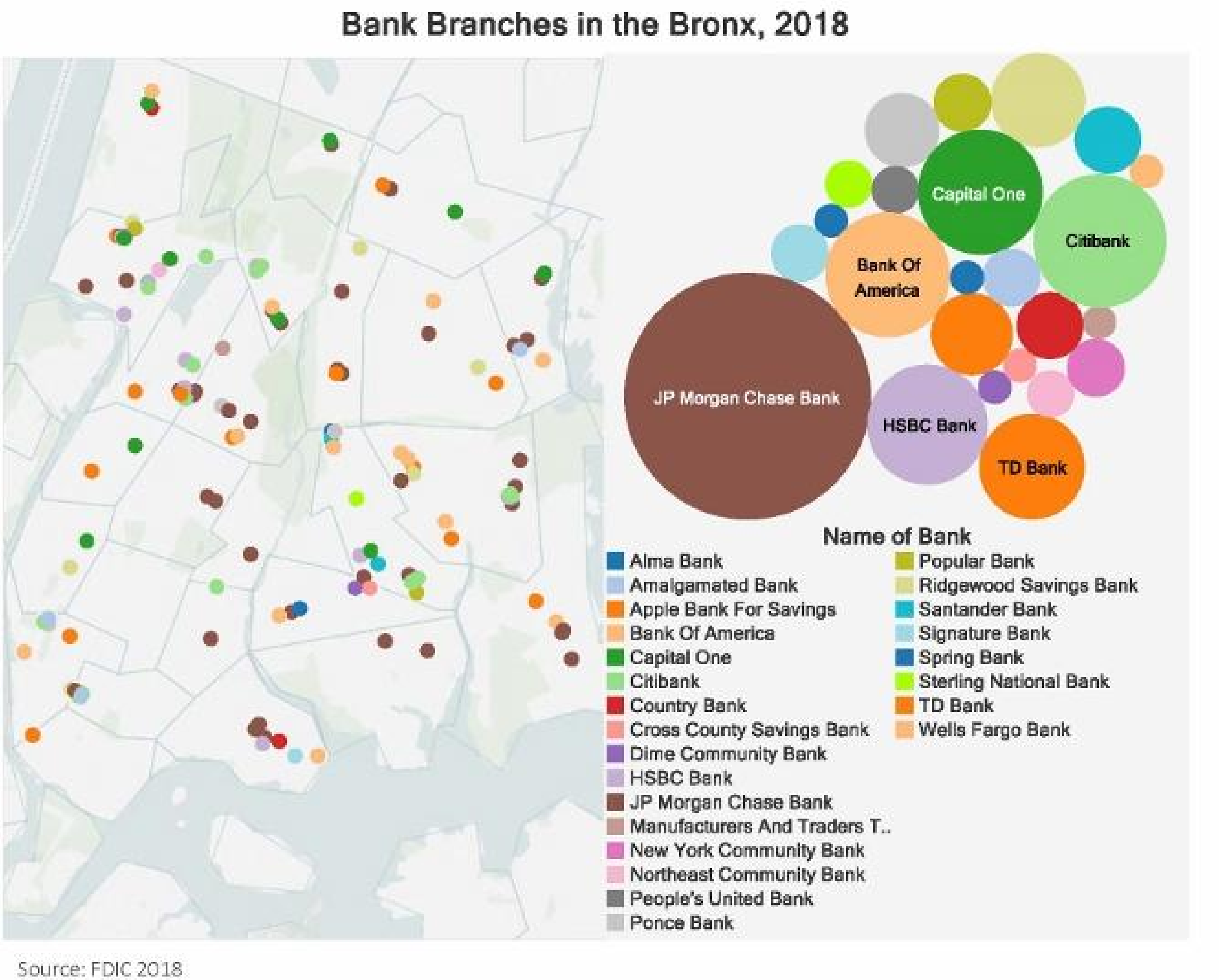

**Figure 3. Bronx Population by Race Total (2019)**
**Source**: https://data.census.gov/cedsci/table?tid=ACSST5Y2019.B03002&g=0600000US3600508510

| Race | Population ▼ | Percentage |
|---|---|---|
| Black or African American | 504,814 | 35.18% |
| Some Other Race | 494,363 | 34.45% |
| White | 315,533 | 21.99% |
| Two or More Races | 55,868 | 3.89% |
| Asian | 52,989 | 3.69% |
| American Indian and Alaska Native | 10,116 | 0.70% |
| Native Hawaiian and Other Pacific Islander | 1,385 | 0.10% |

**Figure 4. Characteristics of the 10 Most Unbanked Neighborhoods Areas Compared to NYC Overall (2019)**
**Source: https://www1.nyc.gov/assets/dca/downloads/pdf/partners/Research-UnbankedNYC-2019Data.pdf**

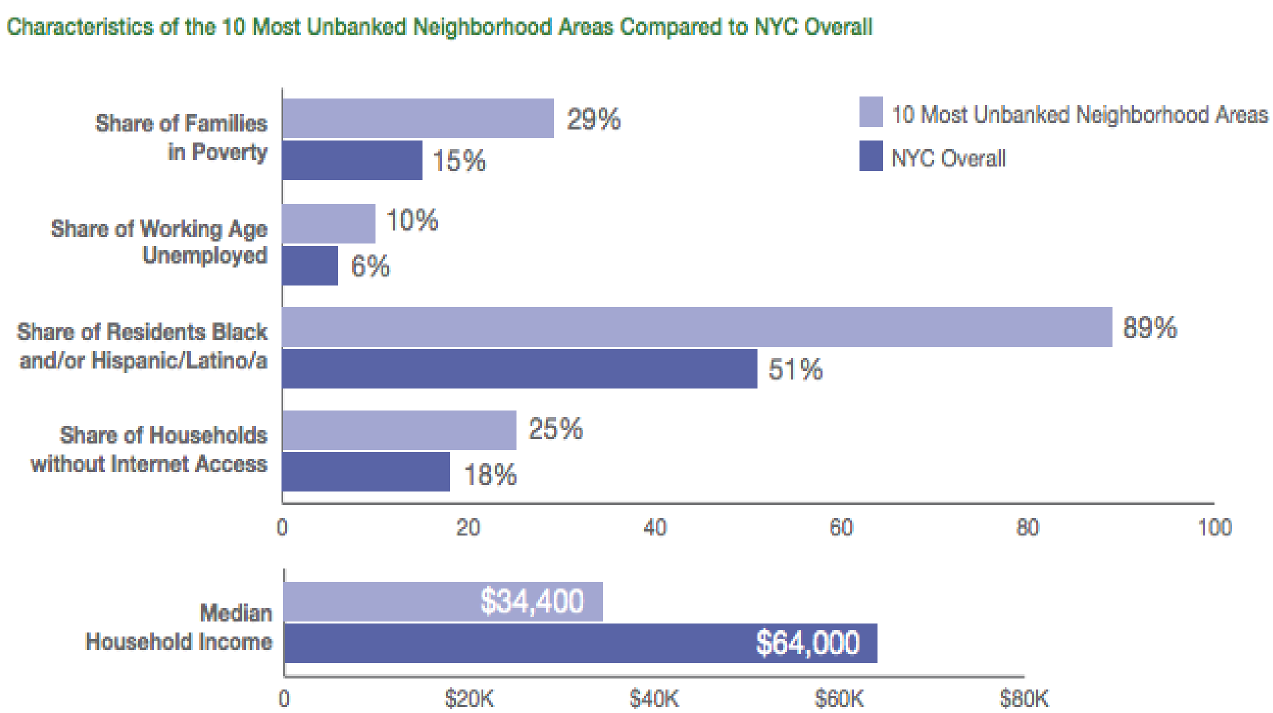

**Figure 5. Household Income Distribution in the Bronx (2020)**

**Source:** https://furmancenter.org/neighborhoods/view/the-bronx

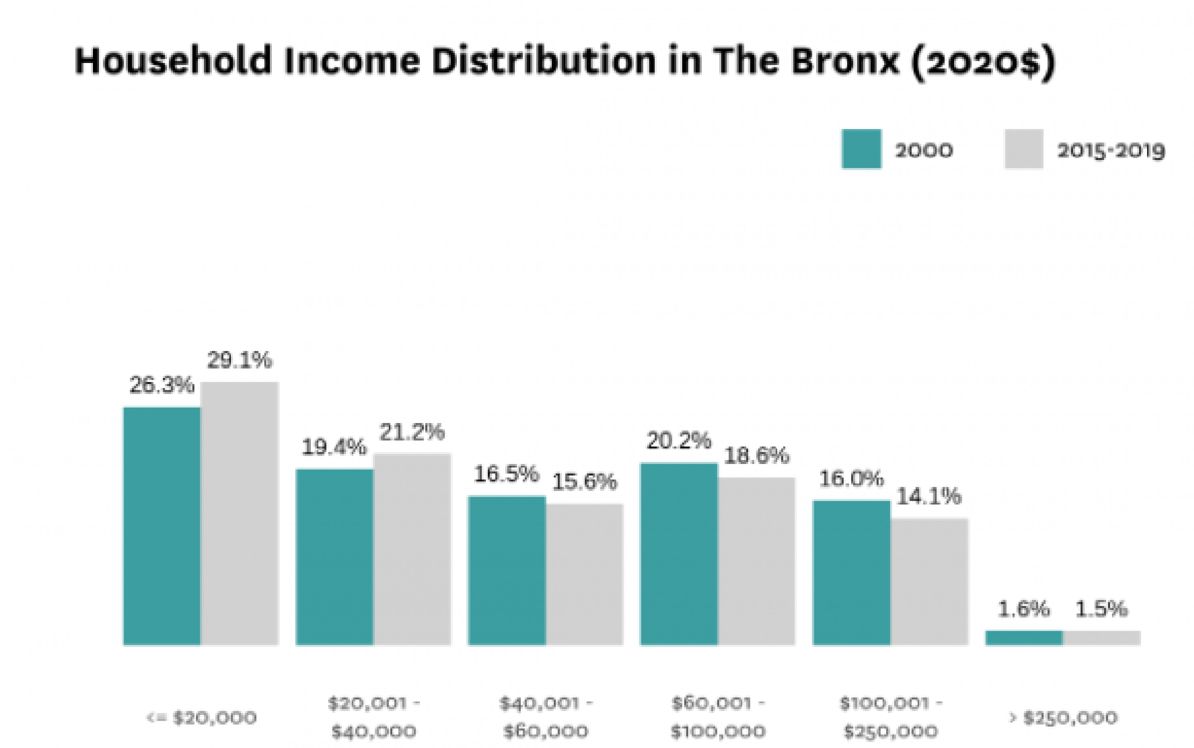


**Figure 6.1 Bronx Labor Statistics (2019)**

**Source:** https://data.census.gov/cedsci/table?tid=ACSST5Y2019.S2301&g=0600000US3600508510

59.9% Labor Force Participation

53.9% Employment Rate

10% Unemployment Rate

**Figure 6.2 Bronx Labor Force Participation by Age (2019)**

**Source:** https://data.census.gov/cedsci/table?tid=ACSST5Y2019.S2301&g=0600000US3600508510

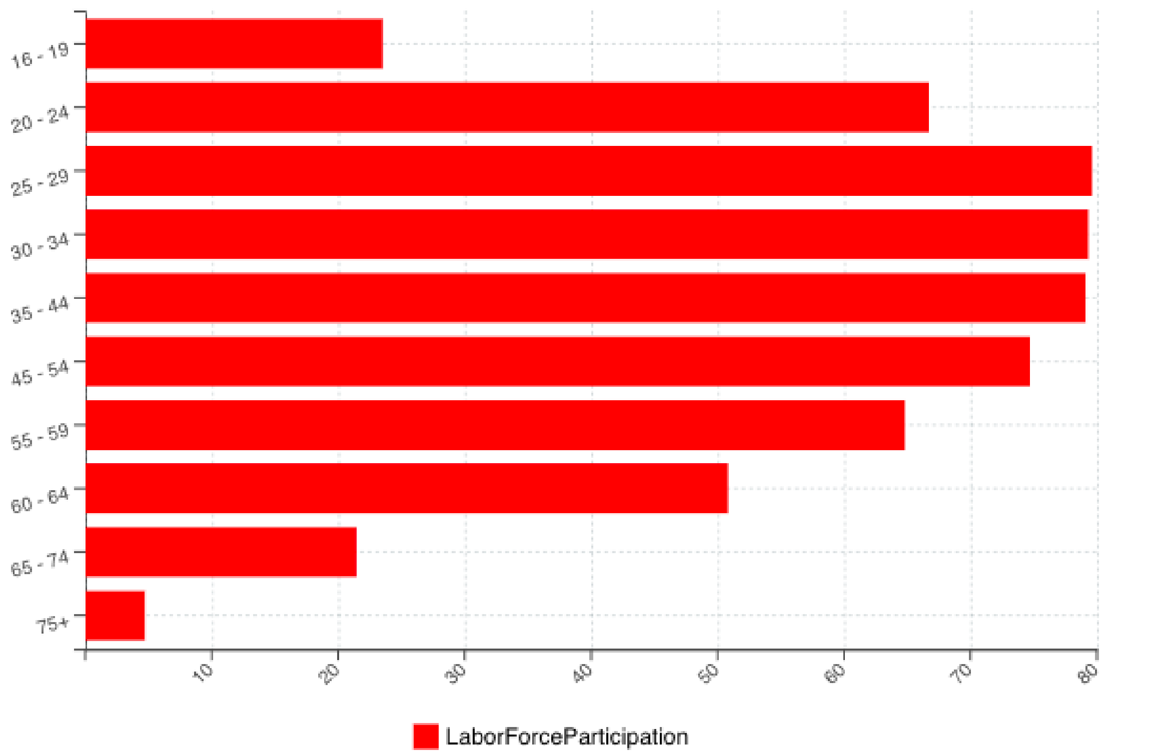


**Figure 6.3 Bronx Employment Rate by Age (2019)**

**Source:** https://data.census.gov/cedsci/table?tid=ACSST5Y2019.S2301&g=0600000US3600508510

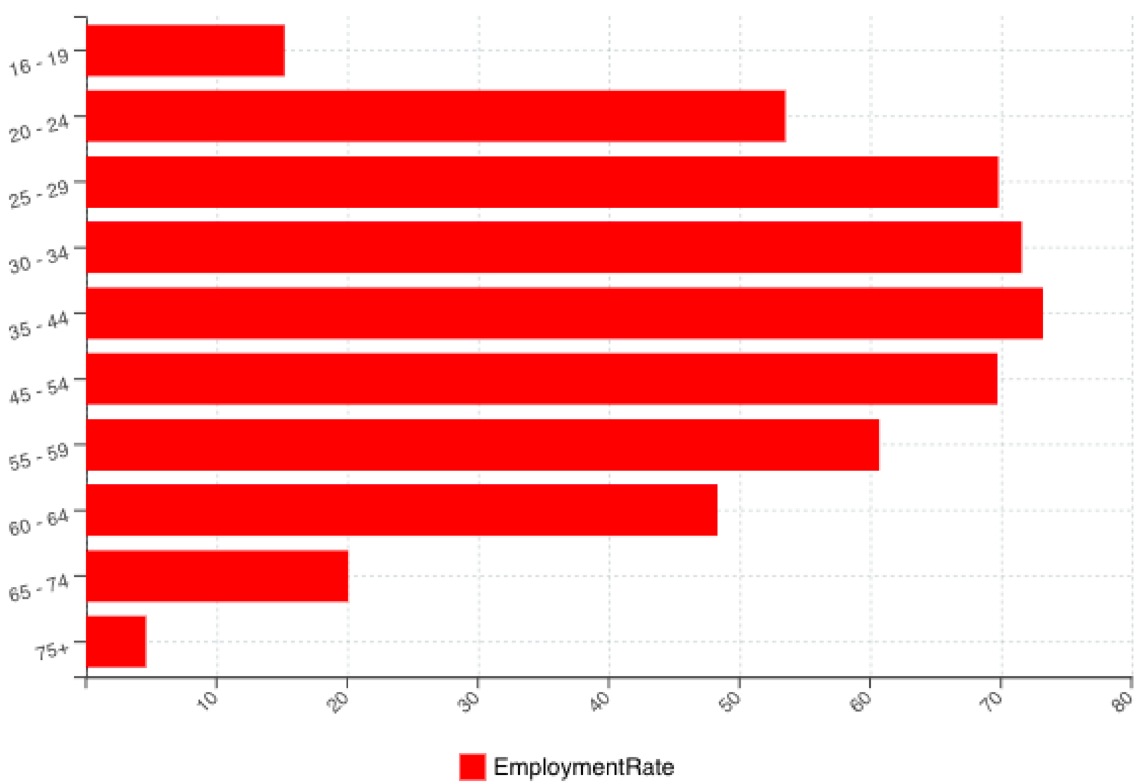

**Figure 6.4 Bronx Unemployment Rate by Age (2019)**

**Source:** https://data.census.gov/cedsci/table?tid=ACSST5Y2019.S2301&g=0600000US3600508510

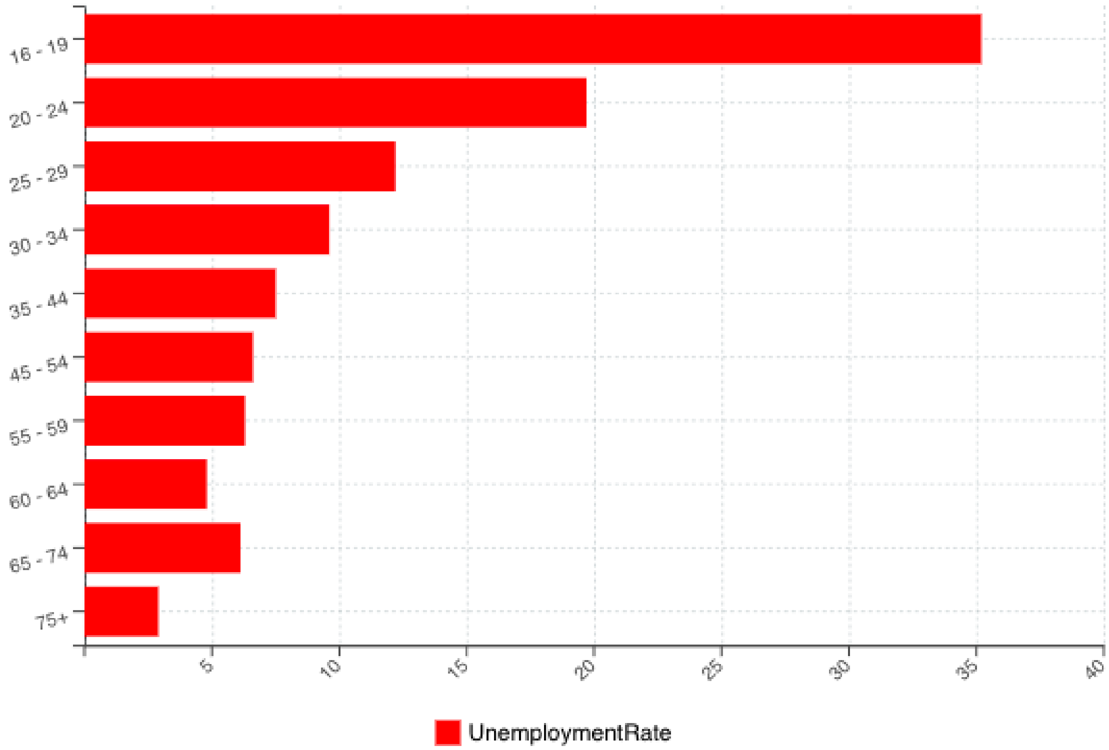


**Figure 7. Bronx Income by Household Type (2019)**

**Source:** https://data.census.gov/cedsci/table?tid=ACSST5Y2019.S1901&g=0600000US3600508510

| Name | Median | Mean |
|---|---|---|
| Households | $40,088 | $58,740 |
| Families | $47,298 | $66,010 |
| Married Families | $68,891 | $90,914 |
| Non Families | $23,805 | $39,613 |

**Figure 8. Unbanked and underbanked for New York-Newark-Jersey City, NY-NJ-PA (2017)**

**Source:**https://economicinclusion.gov/surveys/2017household/documents/tabular-results/2017_banking_status_New_York_Newark_Jersey_City_NY_NJ_PA.pdf

## Unbanked and underbanked for New York-Newark-Jersey City, NY-NJ-PA~, 2017 by Selected Household Characteristics

All Households

| | Number of Households (1000s) | Number of Households (PCT) | Unbanked | Banked: Underbanked | Banked: Fully banked | Banked: Underbanked status unknown |
|---|---|---|---|---|---|---|
| All Households | 8009 | 100 | 7.9 | 18.3 | 64.9 | 8.9 |
| Race/Ethnicity (PCT) | | | | | | |
| Black | 1564 | 100 | 14.9 | 31.0 | 47.9 | 6.1 |
| Hispanic | 1173 | 100 | 18.0 | 28.7 | 45.8 | 7.5 |
| Asian | 976 | 100 | 5.7 | 13.4 | 67.7 | 13.3 |
| White | 4251 | 100 | 2.8 | 12.0 | 75.7 | 9.5 |
| Other | NA | 100 | NA | NA | NA | NA |
| Age group (PCT) | | | | | | |
| 15 to 24 years | NA | 100 | NA | NA | NA | NA |
| 25 to 34 years | 1287 | 100 | 8.2 | 17.9 | 64.4 | 9.5 |
| 35 to 44 years | 1352 | 100 | 7.5 | 23.6 | 60.6 | 8.4 |
| 45 to 54 years | 1605 | 100 | 8.3 | 21.2 | 59.3 | 11.2 |
| 55 to 64 years | 1529 | 100 | 8.2 | 19.2 | 67.5 | 5.2 |
| 65 years or more | 1960 | 100 | 7.8 | 10.8 | 71.1 | 10.3 |
| Education (PCT) | | | | | | |
| No high school diploma | 831 | 100 | 29.8 | 26.2 | 35.4 | 8.6 |
| High school diploma | 1839 | 100 | 11.6 | 21.3 | 56.9 | 10.1 |
| Some college | 1767 | 100 | 5.8 | 20.0 | 64.5 | 9.7 |
| College degree | 3572 | 100 | 1.9 | 14.0 | 76.0 | 8.1 |
| Employment status (PCT) | | | | | | |
| Employed | 5095 | 100 | 4.8 | 19.7 | 66.9 | 8.6 |
| Unemployed | NA | 100 | NA | NA | NA | NA |
| Not in labor force | 2702 | 100 | 13.5 | 16.0 | 61.6 | 8.9 |
| Family income (PCT) | | | | | | |
| Less than $15,000 | 768 | 100 | 29.1 | 22.5 | 42.7 | 5.6 |
| $15,000 to $30,000 | 1030 | 100 | 21.2 | 22.4 | 46.4 | 10.0 |
| $30,000 to $50,000 | 1367 | 100 | 7.4 | 23.3 | 56.4 | 12.9 |
| $50,000 to $75,000 | 1321 | 100 | 5.5 | 20.5 | 64.8 | 9.2 |
| At least $75,000 | 3523 | 100 | 0.5 | 13.4 | 78.4 | 7.7 |

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