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POLITICS AND POLICY

New York City suspends municipal deposits at Capital One, KeyBank

By [Jordan Stutts](#) | May 25, 2023, 10:40 p.m. EDT | 4 Min Read



A vote Thursday by the New York City Banking Commission means that KeyBank and Capital One won't receive municipal deposits from the city for up to two years. *Bloomberg*

The New York City Banking Commission voted Thursday to stop depositing city funds at Capital One Bank and KeyBank, saying that the banks failed to meet a requirement that they document their efforts to combat discrimination in lending and employment.

As a result of the 3-0 vote, Capital One and Key won't receive new municipal deposits from New York City for up to two years. They also won't be allowed to renew contracts or enter into new agreements with the city during the suspension.

Capital One held \$7.2 million in New York City deposits across 108 accounts at the end of April, while KeyBank held \$10 million across three accounts, according to a statement from the city's banking commission following a public hearing Thursday.

The two banks "outright refused" to submit required certifications, which demonstrated a lack of effort to "root out discrimination," the banking commission's statement said.

A KeyBank spokesperson said Thursday that the bank provided the required information to the New York City Banking Commission.

"This is a misunderstanding and we look forward to clarifying this issue with the Banking Commission," the spokesperson said in an email.

The KeyBank spokesperson also denied discrimination in any of the bank's operations and said that the bank does not currently hold deposits with the City of New York.

A Capital One spokesperson said in an email that the McLean, Virginia-based lender prohibits discrimination against employees and clients, and that its submission to New York City officials was "consistent" with what it submitted in previous years.

In February, New York City [tightened its rules](#) for banks that want to receive municipal deposits. The new rules include a requirement that banks provide details about their anti-discriminatory lending and employment practices.

"Banks seeking to do business with New York City must demonstrate that they will be responsible managers of public funds and responsible actors in our communities," Comptroller Brad Lander, who is a member of the New York City Banking Commission, said in a statement.

The vote in the nation's largest city drew praise from the National Community Reinvestment Coalition, which [recently asked federal regulators to investigate Key's mortgage lending practices for alleged redlining](#).

"KeyBank and Capital One have atrocious track records of not just under-serving but actively harming the interests of low-wealth communities and people of color," Jesse Van Tol, president and CEO of the National Community Reinvestment Coalition, said in a press release.

During Thursday's meeting, Lander also voted against making three other banks — Wells Fargo, PNC Bank and International Finance Bank — eligible to receive the city's deposits.

Lander accused those three banks of failing to prevent discrimination. But he was not joined by the two other members of the Banking Commission — Deputy Comptroller for Policy Annie Levers and Tonya Jenerette, designee to the commission for Mayor Eric Adams — and the three banks were certified to receive New York City deposits.

A Wells Fargo spokesperson said the San Francisco-based bank values its relationship with New York City. "We are ready to continue serving its needs today and well into the future," the Wells spokesperson said in an email.

Spokespeople for PNC and International Finance Bank did not respond to requests for comment.

POLITICS AND POLICY

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During Thursday's hearing, the banking commission also voted unanimously to certify 23 other banks to receive city deposits over the next two years.

The hearing was the first time that the city allowed public comments about its designation process. Residents and activists who attended spoke out against banks that were seeking to hold municipal deposits, calling on city officials to instead establish a public bank.

Allowing public comments is a "key first step toward establishing a public bank to hold city deposits and reinvest in communities," Andy Morrison, associate director of the New Economy Project, said during the hearing.

"We urge the commission to use the full extent of its authority to ensure that public dollars work for the public good," Morrison said.

Other speakers criticized banks for contributing to climate change, and for providing financing for unfair housing practices.

Alice Hu, senior climate campaigner at New York Communities for Change, pointed to banks' loans to oil companies, saying that extreme weather events due to climate change impact lower-income New Yorkers "first and worst."

Barika Williams, executive director at the Association for the Neighborhood & Housing Development, urged city officials to apply further scrutiny in granting deposit designations to banks.

"There must be additional efforts taken to deepen community engagement," Williams said during the hearing. "[Banks'] ability to hold and profit from New Yorkers' hard-earned city deposits should be a privilege, not a right, and one they should be required to earn."

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