Written Testimony of Orson Aguilar, Executive Director, The Greenlining Institute
CIT Group/OneWest Joint Public Meeting
Held by the Federal Reserve and the Office of the Comptroller of the Currency
February 26, 2014

Greenlining is in strong opposition to the proposed OneWest/CIT merger. The story behind this merger reminds me of a Spanish Telenovela. Its hard to believe this is real.

CIT, a bank who failed to repay its bailout funds, now has enough money to buy a bank. Needless to say, the $2 billion it received in TARP funds never did reach small businesses, let alone minority-owned small businesses. John Thain, the same guy who was spending millions of dollars to decorate his office at Merrill Lynch during the height of the housing crisis is now the guy in charge of CIT. This is the same John Thain who misled BofA about Merrill Lynch's position while he distributed $3.5 billion in bonuses to top Merrill executives. All of this occurred while families were losing their homes, people were losing their jobs, and retirees witnessed their retirement savings dwindle.

On the other end we have OneWest bank, a bank that emerged from the ashes of the failed IndyMac bank. IndyMac, a notorious subprime lender, is the 2nd largest bank failure in American history. Our government sold IndyMac's assets to a group of billionaire investors for an estimated $2.5 billion. Buying a failed bank is a risky bet but it definitely helps when the federal government agrees to cover billions of dollars in losses.

Let me tell you about OneWest, a bank the bank did little to serve people of color and low income communities.

- It is estimated that OneWest has foreclosed on approximately 35,000 families including veterans and widows.
- Despite being a Southern California based bank, the bank never set up a supplier diversity program and did nothing to promote people of color to executive positions.
- The bank did its best to cater to to super rich as evidenced by its branded OneWest Account, an account with a minimum $50,000 balance.
- Despite having access to billions of dollars, the bank failed to open bank branches in true low-income areas. In fact, it closed branches.
- The bank did little to provide loans and contracts to the areas large minority owned businesses.
- The bank failed to develop a comprehensive program supplier diversity program despite repeated requests from Greenlining
- No ads in minority owned outlets.

Statement of Sasha Werblin, Economic Equity Director, The Greenlining Institute
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I'd like to thank the Fed and OCC for giving the public a chance to weigh in on CIT's acquisition of OneWest Bank. I sit here in disbelief that this merger is pending.

Our nation is STILL recovering from the depths of an economic crisis. Families harmed by these banks are still ailing. And the Fed is supposed to keep our nation safe from creating financial firms big enough to threaten the financial system. [TBTF conveys an unfair, unintended competitive advantage upon large banks, since it defacto insures their liabilities at no cost. It's a Moral hazard.][1]

[The evidence shows that increased concentration in the banking industry has not benefitted bank customers. The economies of scaled that supposedly justify large bank mergers either do not materialize or are not passed on to customers. Bank mergers have an adverse effect on consumer deposits pricing. Evidence also suggests that the optimal size for a bank in terms of economies of scale, profitability and efficiency is between $100 million and $1 billion. Further, a Harvard study showed that instances of improved operating results after a merger were due primarily to higher repricing, not economies of scale, suggesting the use of increased market power to raise prices.][2]

Approving this merger would once again remove the risk from investors and place it back onto the taxpayer, who has already spent over $3 billion to save these companies.

This pending merger has no competitive merits, no public benefit, especially for California's majority population of color, and no CRA integrity.

Instead, it only runs the risk of less competitive options for consumers of color, and HUGE reputational risk for the regulators.

This pending merger is about a fast track to growth for a West side bank, not the public, and certainly not low-to-moderate income consumers or consumers of color. There are enough banks serving high wealth individuals, adding another serves no public benefit.

My testimony today will solely discuss the potential for public benefit, as one would think that a TOO BIG TO FAIL union at the least lead to a respectable community benefit commitment from these banks.

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[1] Boyd, John H., Graham, Stanley L., Consolidation in U.S. Banking: Implications for Efficiency and Risk, Working Paper 572, Federal Reserve Bank of Minneapolis, Revised December 1996.
[2] Excerpt from Statement of William L. McQuillan, President, City National Bank, on behalf of the Independent Bankers Association of America, Delivered to the Judiciary Committee, House of Representatives, June 3, 1998.

In its current form, the combined banks' proposed benefits plan falls short.

1. (First) As it stands, the Bank's post merger plans do not provide a substantive public benefit. For example, a 2013 OCC CRA exam noted that- in the LA MD, OneWest's only full scope assessment area, home prices and poverty rates are above California's average-affordable housing and support for those in poverty were a top community need. Neither OneWest, nor CIT currently offer mortgage related products, and their plans to meet the home lending needs of it's largest service area is sparse.

2. (Second) Given the Bank's poor track record of meeting the communities financial needs, the bar-both in dollars and substance-is set too low. Compared to the merged banks peers, the community benefit commitment is literally a drop in the bucket, and will have no additional public benefit to communities.

3. (Third) The plan does not substantively address issues of foreclosure, or the billions of dollars in wealth stripped from communities by OneWest's predecessor, IndyMac.

4. (Forth) And finally, the plan has no commitment to diversifying its workforce, just one line that is rings basic EEO, non discrimination language. To date, the Bank has not been willing to share it's diversity data, nor commit to a Diversity & Inclusion plan for ethnic minorities.

For us to be satisfied with a new bank, we would like to see the following:

1. An overall higher ceiling, or dollar commitment.
2. A robust effort to serve minority owned businesses consistent with CIT's TARP promise.
3. A stop to foreclosures and a commitment to be a leader in advocating for surviving spouses and orphans at HUD.
4. And robust efforts related to diversity and inclusion.

So I'll conclude with this: both banks **can** do more. And they **must** for a true public benefit to communities.

Deep down, I want to believe, in good faith, that this marriage is right for California's communities of color. SO we will continue to walk on faith, and keep the lines of communication open with the bank, in hopes that we come to a shared understanding, and agreement.

Let me repeat clearly. We have tried, and will continue to try to work with the Bank. As many know, we are willing to work with banks and have a great track record of doing so with many banks in California.