NEW YORK HOUSINGCONFERENCE

Financial Services Committee Holds Hearing on Recent Bank Failures – Released March 30, 2023

On Thursday, March 29, the Committee on Financial Services held a hearing titled "The Federal Regulators Response to Recent Bank Failures" to examine events leading up to the closure of Silicon Valley Bank (SVB), and Signature Bank in New York by state and federal banking regulators.

Signature **collapsed earlier this month** after its customers **rushed to pull deposits**. The bank held over $35 billion in real-estate loans at the end of 2022, which accounted for nearly half of its total loans at the time, according to Federal Deposit Insurance Corporation (FDIC) data. When regulators seized Signature Bank, New York Community Bank bought almost $13 billion of Signature's loan portfolio. **However, it excluded Signature's significant multifamily housing portfolio, leaving the fate of thousands of buildings across New York City in question.**

According to **TreppBank Navigator data**, $25.5 billion of Signature Bank's $35.2 billion commercial real estate (CRE) portfolio is made on properties in the New York metro area. By these estimates, Signature Bank held a 12% share of the bank CRE lending market in the New York metro area, with a strong focus on multifamily loans. University Neighborhood Housing Program's (UNHP) **Building Indicator Project** (BIP) has been monitoring the Signature multifamily portfolio for years, in order to protect vulnerable renters from deteriorating building conditions and displacement, which are too often the consequences of financial and physical distress in rental housing. Their data set shows high risk trends and is used by regulators and financial institutions. UNHP found that Signature's multifamily housing portfolio has 3,000 buildings containing over 80,000 apartments - almost 80 percent of which are rent-stabilized. 3.86% of the portfolio is likely distressed and over the last 5 years, housing code violations increased by 113%. **Who ends up with these loans is incredibly important to maintaining stability for New York renters.**

Congressman Ritchie Torres representing NY-15 in the Bronx where 479 of these properties - nearly 20,000 apartments - are located raised concerns about the fate of these loans in questioning regulators. In response, FDIC Chair Martin Gruenberg committed to work with Congressman Torres and coordinate with NYC and NYS housing agencies on disposition of the residential housing portion of Signature's multifamily portfolio to ensure it falls into responsible hands. In his district, there are 3,443 apartments in buildings with loans averaging more than $100k per unit which is likely more debt than the current rent roll can support according to UNHP's analysis. These buildings also show other signs of distress in terms of unpaid water bills and/or housing code violations, indicating a higher risk level. View Congressman Torres at FDIC hearing here.

Yesterday, the FDIC designated **Newmark Group Inc**. to market Signature's CRE loans which will be sold at a discount and have been described as **"toxic"** by market analysts. We hope City and State housing agencies will take this opportunity to intervene offered by the FDIC Chair and seek a preservation buyer for the debt on the most distressed buildings. In 2010, the City set up a credit facility to buy notes on over-leveraged properties to ensure building conditions are maintained to protect tenants from speculative investors and to protect the City from costly emergency repairs.