

CRA Investments at Mellon 1st Business Bank

Structure

Mellon 1st Business Bank is a \$3 billion asset bank owned by Mellon Financial Corporation serving Los Angeles, Orange County and Inland Empire. The Bank has a single CRA Officer with additional responsibilities. The CRA Officer is supported by a Corporate Community Investment Department in Pittsburgh with access to a Capital Markets Group, Community Real Estate Loan Department, Bank-owned CDC and other non-bank affiliates such as Mellon's Foundation.

Types of Investments

Small local investments are approved and booked at Mellon 1st Business Bank. Larger and more complex investments are approved and booked through the Bank's affiliates and allocated to Mellon 1st Business Bank for CRA purposes.

Mellon 1st Business Bank's CRA Investments

Stock in local CDFIs – e.g. Bankers' CDCs, CEDLI

Deposits in FDIC insured community development banks – e.g. OneUnited Bank

Investments in local funds – e.g. ACE 504 Loan Fund, CCRC Bond Fund

Equity Equivalent Investment (EQ2) – e.g. Calvert Social Investment Foundation

Affiliate's CRA Investments

Mortgage-backed securities

Municipal bonds

Low Income Housing, Tax Credit investments

SBIC Investments (Mellon Ventures)

Approval Issues

- The Bank's CRA Investments are underwritten as 1) contribution, 2) FDIC insured, 3) similar to a loan
- Affiliate's CRA Investments are underwritten as 1) investment rating at an acceptable yield, 2) specialized LIHTC underwriting, 3) specialized SBIC underwriting
- High internal cost of funds on investments
- Internal treatment of tax credits
- Budget – Bank approves based on opportunities; Affiliate approves according to a budget

Reasons for Decline

- Product type not yet proven/understood
- Insufficient yield/excessive term

Benefits of Collaboration

Most of the Bank's CRA Investments have originated through collaboration with other banks together with a local CDFI or similar organization. Collaboration allows a smaller bank to take a leadership role and to have a greater impact in the community through pooled resources. Participation is encouraged in groups like Bankers' in Support Of... (BISO) where investment opportunities are shared. Other ways to increase skills and develop contacts are to join local advisory boards such as LISC or loan committees of CDFIs, and to attend FRB sponsored CRA Conferences.

An example of collaboration is the new Century Community Development, Inc. loan syndication. Eighteen financial institutions have joined to lend up to \$15 million for acquisition and pre-development loans to affordable housing developers. The syndication is seeking to expand to \$25 million.

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