



WOODSTOCK  
INSTITUTE

*Advancing Economic Security  
and Community Prosperity*

ANNUAL REPORT 2010-2011

PROTECTING CONSUMERS,  
PRESERVING COMMUNITIES





OUR MISSION

Create a just financial system in which lower-wealth persons and communities, and people and communities of color, can achieve economic security and community prosperity.

## Letter from the President

Every day, we see families and communities struggling with foreclosure, job loss, debt, and lack of access to affordable credit as a result of the foreclosure and economic crisis. Many of our families, friends, and neighbors have lost their homes, suffered damaged credit, or filed for bankruptcy. Consequently, fewer people have access to affordable credit to buy a home, start a business, pay for college, and so on. The wealth gap between the haves and the have nots has widened significantly. The problems continue to hit hardest in communities of color, where there is a higher concentration of predatory lending, low credit scores, and bankruptcies.

Our job at Woodstock Institute is to address problems like these by creating a more just financial system that enables individuals, families, and communities to establish financial security, build wealth, and create vibrant neighborhoods.

The context today is significantly different than it was even a couple of years ago. One major change of recent years is the passage of *The Dodd-Frank Wall Street Reform and Consumer Protection Act*. As we go forward, one challenge will be ensuring that financial systems reforms created by *Dodd-Frank* are implemented effectively. It will be especially important to keep our eyes on the new Consumer Financial Protection Bureau (CFPB), a federal agency responsible for overseeing financial products and services and ensuring that the financial market works fairly for consumers and industry players. The CFPB will write important new rules, such as rules relating to credit disclosures and defining “qualified residential mortgages.”

In the post-*Dodd-Frank* context, we at Woodstock Institute have significant opportunities to make an impact on issues related to financial security. More people are aware of and interested in these issues now and can find out about them by downloading our research reports, policy position papers, and fact sheets at [woodstockinst.org](http://woodstockinst.org). As a result, we have a better chance to build consensus on economic security issues, advance good policies and products, and ensure that the lessons learned in this crisis are not forgotten. We will continue to raise awareness and encourage public input and policy advocacy on economic justice issues.

In this annual report, our stories focus on our key areas—fair lending, wealth creation and preservation, and financial systems reform. One example is how Woodstock research shed light on the impact of mortgage servicers who walk away from vacant properties, devastating local neighborhoods like the Roseland community in Chicago. The stories we tell and share can lead to better local and national policies and programs. We will continue to look closely at how financial products, services, and policies affect our neighbors—and strive to advance economic security and community prosperity.



Dory Rand *President*

# Halting the Flow of Refund Anticipation Loans



Illinoisans spent approximately \$114 million annually in recent years on refund anticipation loans (RALs)—loans arranged by a tax preparer based on the estimated amount of a borrower’s income tax refund.

**W**oodstock sought and achieved successful regulatory action to reduce the negative impact of this wealth-stripping product, which is defined by high fees, high interest, and a disproportionate impact on communities of color.

Woodstock not only took its message about RALs to people in Illinois, but also collaborated with regional advocates to change national policy on RALs.

Woodstock did a great regional analysis on the impact of RALs in Chicago neighborhoods. It then linked its advocacy with others to change national policy to end RALs.

PETER SKILLERN Executive Director of the Community Reinvestment Association of North Carolina

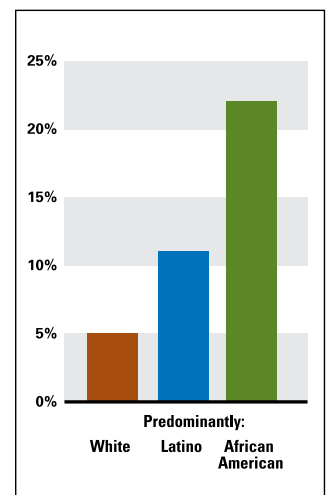
The campaign was notably successful. In the last couple of years, key financial institutions pulled out of the RAL business and federal regulators have, finally, stepped up enforcement of rules governing these loans. One key moment occurred when the Internal Revenue Service decided that tax preparers would no longer receive the “debt indicator,” information about borrowers’ outstanding debts that is used to facilitate RALs.

## 3.5x

TAX FILERS IN AFRICAN AMERICAN COMMUNITIES WERE 3.5 TIMES MORE LIKELY TO USE RALs THAN WERE OTHER TAX FILERS

Source: Woodstock Institute Report *Diverted Opportunity: Refund Anticipation Loans Drain Wealth from Low Wealth Tax Filers and Communities of Color, 2010*

Refund Anticipation Loan Usage by Community Race/Ethnicity Composition



Source: Same as source at left



It's one thing to do the research and policy work. It's another to be able to turn it around on a dime. In their work to change payday loan policy, Woodstock has been able to respond quickly and thoroughly.

LYNDA DELAFORGUE  
Co-Director of Citizen Action/Illinois



"This campaign is a great example of how our model works," says Dory Rand, President of Woodstock Institute. "We do research on a particular product or policy in Chicago and Illinois, and then we collaborate with other organizations to have a national impact on the industry and policymakers."

Woodstock works collaboratively with other organizations on financial reform and fair lending issues, including refund anticipation loans. For this campaign, Woodstock collaborated with the California Reinvestment Coalition, the Community Reinvestment Association of North Carolina, the New York-based Neighborhood Economic Development Advocacy Project, the Consumer Federation of America, and the National Consumer Law Center. These organizations used a multifaceted approach that included meeting with financial institutions, the Internal Revenue Service, and regulators; submitting shareholder resolutions; testifying at public hearings; conducting investigations into marketing and lending practices; and publishing research that documented how RALs had a disparate impact on low-wealth people and communities of color. These organizations demonstrated how financial institutions did not properly supervise tax preparers with whom they had partnered.

"Our groups worked together to understand and solve the problem," says Peter Skillern, Executive Director of the Community Reinvestment Association of North Carolina. "Woodstock did a great regional analysis on the impact of RALs in Chicago neighborhoods. It then linked its advocacy with others to change national policy to end RALs."

## Reforming Payday Loans

Meanwhile, a long-term battle to protect consumers led to a major policy change in Illinois in the last year—change designed to regulate payday loans, which have long plagued consumers through exorbitant interest rates. Payday loans are intended to help cover consumers' expenses until their next paycheck, but research has shown that the products often drain the income and assets of people in the low-income communities who use them.

The new law, signed by Illinois Gov. Pat Quinn in March of 2011, mandates new underwriting criteria so that loans do not exceed the borrower's ability to repay, improves consumer protections, limits fees, and facilitates enforcement.

Woodstock played an integral role in the campaign to change the state's policies on payday loans by developing and presenting models on how the loans work and negotiating for a more appropriate response to the problem. Woodstock also produced reports on payday loans that documented the impact of payday loans on consumers in Illinois, including a fact sheet on how the product impacts consumers in each of the state's legislative districts.

Lynda DeLaforge, Co-Director of Citizen Action/Illinois, which coordinated the campaign, emphasizes the value of Woodstock's work on this issue. "It's one thing to do the research and policy work," she says, "It's another to be able to turn it around on a dime. Woodstock has been able to respond quickly and thoroughly. Not a lot of public policy research groups have that capacity."

The new Illinois payday and consumer installment loan reforms achieve the following:

- + Require lenders to consider a **BORROWER'S ABILITY TO REPAY**
- + Establish a **STATEWIDE RATE CAP** for all short-term consumer loans
- + Create new, mandatory **UNDERWRITING CRITERIA**
- + **PREVENT THE CYCLE OF DEBT** caused by back-to-back loans
- + Create a consumer reporting service to facilitate **ENFORCEMENT and TRANSPARENCY**

# Research Highlights Properties that Mortgage Servicers Left Behind



A house in the Roseland community on Chicago’s South Side is vacant—and the foreclosure process was not completed.

**L**oan servicers appear to have “walked away” from this property after failing to complete the foreclosure process and maintain the house.

This scenario is becoming all too common, according to a report released by Woodstock Institute early in 2011. The report, “Left Behind: Troubled Foreclosed Properties and Servicer Accountability in Chicago,” illustrates how Woodstock research can shed new light on issues that impact communities in Chicago—and across the country. In this case, research shows that communities of color are often hit the hardest by this trend. Woodstock calls these properties “red flag” properties.

**1,896**

RED FLAG PROPERTIES  
IN THE CITY OF CHICAGO

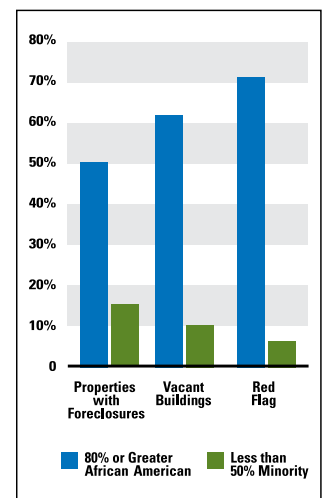
**\$36,000,000**

ESTIMATED COST TO THE CITY OF CHICAGO

**71%**

OF RED FLAG HOMES ARE IN HIGHLY  
AFRICAN AMERICAN COMMUNITIES

Distribution of Different Types of Properties by Racial/Ethnic Composition of Community in Chicago



Source: Woodstock Institute Report  
Left Behind: Troubled Foreclosed Properties  
and Servicer Accountability, 2011

Sources: City of Chicago,  
Record Information Services,  
and Cook County Recorder  
of Deeds



Woodstock's data is a great resource—we use it to help do community planning and analysis. It's the most reliable data we have.

CHRIS SMITH Neighborhood Director of Neighborhood Housing Services of Chicago's Roseland Office



Katie Buitrago, Policy and Communications Associate of Woodstock Institute, says that the report identifies the number of problematic, potentially abandoned “red flag” homes that may have been created as a result of decisions by loan servicers to walk away from these properties. “Properties are stuck in limbo,” says Buitrago, who points out that many large banks are servicers, although independent companies may be servicers as well. “We had heard anecdotally that loan servicers were walking away. But, until now, no one had been able to quantify it in Chicago communities.” The Woodstock report led to considerable coverage of the issue on CNBC, the Chicago Tribune, WTTW’s *Chicago Tonight*, and many other media outlets, as well as interest from a range of organizations around the country that wanted to learn more about the subject.

In Chicago, this report is reaching on-the-ground stakeholders. The report provides valuable data about what is happening on specific blocks of the Roseland community, according to Chris Smith, Neighborhood Director of Neighborhood Housing Services of Chicago’s Roseland Office. The neighborhood, data show, has the second most “red flag” properties of any community in the City. “If lenders can walk away from properties without any recourse, that leaves us in a big hole,” says Smith. “Woodstock’s data is a great resource—we use it to help do community planning and analysis. It’s the most reliable data we have.”

In July, 2011, the Chicago City Council passed an ordinance that holds servicers accountable for maintaining properties.

## Regional Home Ownership Preservation Initiative

Woodstock participates in the Regional Home Ownership Preservation Initiative (RHOP), a growing network of organizations formed to work collaboratively to document, and develop responses to, the regional foreclosure crisis. The Initiative relies on input from more than 70 members of the public and private sectors, including financial institutions.

Woodstock is co-convenor of research and communications for RHOP, with responsibilities that have included managing RHOP’s website, [www.regionalphop.org](http://www.regionalphop.org). In addition, Woodstock’s research with Housing Action Illinois for RHOP reveals the extent of the foreclosure problem in collar counties that surround Cook County—and the gaps in access to housing counselors.

Roberto Requejo, a former program officer for special initiatives at the Chicago Community Trust, managed the Trust’s efforts to address the foreclosure crisis in metropolitan Chicago. The Trust, like Woodstock, is a lead partner in RHOP. “Because of Woodstock, key information is communicated in an educational manner,” says Requejo. “They offer reliable, updated information about the impact of the crisis in communities across our region. Woodstock pays special attention to the huge toll this crisis is having on African American and Latino communities.”

RHOP serves as a national model for addressing sustainable housing and foreclosure issues. “Resilience in the Face of Foreclosures: Lessons from Local and Regional Practices,” a report released by the National League of Cities, cites the Initiative as an example of “how local actors can effectively respond to a crisis as monumental as the one impacting home mortgages and neighborhoods.”

We had heard anecdotally that loan servicers were walking away. But, until now, no one had been able to quantify it in Chicago communities.

KATIE BUITRAGO Policy and Communications Associate of Woodstock Institute



Ann Hilton Fisher

# Modernizing the Community Reinvestment Act



For more than three decades, the Community Reinvestment Act has been synonymous with reinvestment in underserved communities where it has often been extremely difficult to get a loan.

**T**hat has been especially true for communities of color. While the CRA resulted in a dramatic increase in safe and sustainable loans, increased bank transparency, and created a structured framework for an ongoing dialogue between financial institutions and community stakeholders, the statute has not been updated since 1995. Woodstock, in collaboration with the National Community Reinvestment Coalition and other organizations, is focused on modernizing the CRA. For both organizations, CRA research and advocacy is at the core of their missions—to bring more people and communities into the financial mainstream through fair credit and savings opportunities. Woodstock shared its expertise on CRA and economic security issues as a member of the Federal Reserve Board's Consumer Advisory Council in 2010 and 2011.

**92%**

**OF ALL BANKS RECEIVE A SATISFACTORY OR HIGHER CRA RATING**

*Woodstock Institute analysis of Federal Financial Institutions Examination Council data*

**2.4x**

**NON-CRA LENDERS WERE 2.4 TIMES MORE LIKELY TO MAKE HIGH-COST LOANS IN CHICAGO IN 2007 THAN WERE CRA LENDERS**

*Woodstock Institute Report, Paying More for the American Dream III: Promoting Responsible Lending to Lower-Income Communities and Communities of Color, 2009*

**The banking industry has changed in recent years and the CRA needs to change with it.**

**TOM FELTNER** Vice President of Woodstock Institute



## It's indispensable to have allies like Woodstock that can do rigorous research.

JOSH SILVER Research and Policy Vice President of National Community Reinvestment Coalition



Today, the basic goal of CRA remains the same: to safely and soundly meet the financial needs of low- and moderate-income people and communities. Advocates developed a CRA “blueprint” that reflects current realities. In 2010, Congressman Luis Gutierrez (D-IL) introduced the American Community Investment Reform Act, but Congress did not vote on it. Currently, advocates are encouraging regulators to modernize CRA through the administrative rule-making process.

“We know that when financial institutions comply with the CRA, it often translates into increased lending,” says Woodstock Vice President Tom Feltner. “The banking industry has changed in major ways in recent years—and the CRA needs to change with it. We are working to improve the effectiveness of this critical law through research and advocacy, to ensure that the CRA is up-to-date about the way it serves communities.”

The current realities of our financial system reflect a different world than the one that existed when the CRA was created in 1977. Take a look, for example, at how the CRA operates today and it becomes apparent why change is needed. Today, banking often depends on the telephone, Internet, and broker networks, but CRA assessment areas are still based on where banks have branches. More mergers and closures mean fewer and larger banks with sprawling business lines—and less frequent CRA exams, less transparency, and fewer opportunities for public participation.

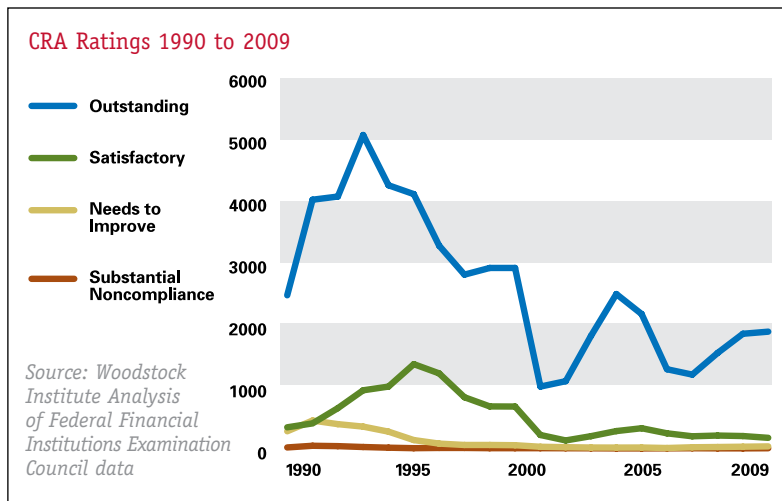
One key goal of the movement to update CRA is to broaden the types of financial institutions that have CRA obligations. The CRA, according to Woodstock, is simply not reaching enough of the financial industry. For example, the law does not cover insurance companies, credit unions, and securities firms that have significant assets and impacts on low-wealth communities.

A critical element of Woodstock’s work to improve CRA centers on the need for public input. “It has been difficult to use the CRA in many cases,” says Feltner, “because banking takes so many forms and is not necessarily tied to a bricks-and-mortar branch as it once was. One way to fix that is to modernize assessment areas.” Woodstock research reveals that many financial institutions do not invest where they do business—a finding that runs counter to the intent of the CRA. According to Woodstock, “Financial institutions need to be accountable to the communities where they do business, even if there isn’t a branch nearby.”

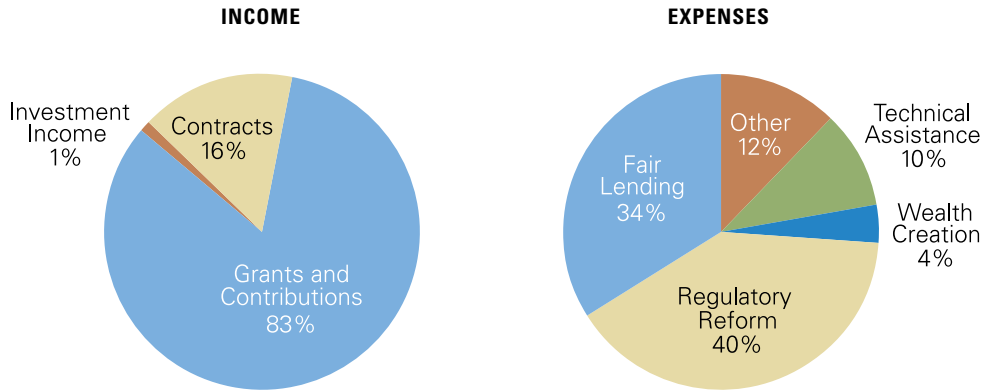
Woodstock plays an important role in advocating for improvements in the CRA retail services tests. Currently, banks are not required to disclose critical data related to the extent to which their savings and checking accounts and other retail products are actually meeting the needs of low-wealth communities. Critical data that would be useful include customer census tract location and percentage of bank income generated by fees.

Woodstock testified at the Federal Reserve Bank of Chicago’s public hearing on CRA in 2010 and at a public hearing on a proposed bank acquisition and the bank’s CRA record in 2011.

One national organization that partners with Woodstock on CRA and other issues points to the role Woodstock plays as a researcher. “It’s indispensable to have allies like Woodstock that can do rigorous research,” says Josh Silver, Vice President of Research and Policy for the Washington, D.C.-based National Community Reinvestment Coalition. “That’s such an important part of this movement. It is clear that if community-based organizations don’t make their voices heard loud and clear, the effort to reform CRA could very well stall. That would be devastating for communities.”



## INCOME, EXPENSES, AND FUNDING SOURCES



## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ending December 31, 2010

	UNDESIGNATED	2010 UNRESTRICTED BOARD DESIGNATED RESERVE FUND	TOTAL	TEMPORARILY RESTRICTED	TOTAL
<b>Revenue and other support</b>					
Grants and contributions	\$ 15,397	—	\$ 15,397	\$ 1,021,562	\$ 1,036,959
Contracts	46,075	—	46,075	—	46,075
Investment income	6,511	—	6,511	—	6,511
Other	22	—	22	—	22
Net assets released from restriction:					
Grants & contributions	684,414	—	684,414	(684,414)	—
Contracts	92,862	—	92,862	(92,862)	—
<b>Total revenues and other support</b>	<b>845,281</b>	<b>—</b>	<b>\$ 845,281</b>	<b>\$ 244,286</b>	<b>\$ 1,089,567</b>
<b>Expenses</b>					
Program services	\$ 689,335	—	\$ 689,335	\$ 689,335	—
Administrative costs	91,333	—	91,333	91,333	—
<b>Total expenses</b>	<b>\$ 780,668</b>	<b>—</b>	<b>\$ 780,668</b>	<b>\$ 780,668</b>	<b>—</b>
Change in net assets	64,613	—	64,613	244,286	308,899
Net assets, beginning of year	58,875	\$ 103,000	\$ 161,875	505,025	666,900
<b>Net assets, end of year</b>	<b>\$ 123,488</b>	<b>\$ 103,000</b>	<b>\$ 226,488</b>	<b>749,311</b>	<b>975,799</b>

This statement is an excerpt from Woodstock Institute's annual financial statements. For a complete copy of those financial statements, please contact Woodstock Institute.

## Funding Sources

### Foundations & Nonprofits

The Chicago Community Trust  
Consumer Federation of America  
F.B. Heron Foundation  
Ford Foundation  
Grand Victoria Foundation  
Harris Family Fund  
John D. & Catherine T. MacArthur Foundation  
Polk Bros. Foundation  
Richard H. Driehaus Foundation  
The Woods Fund of Chicago

### Banks

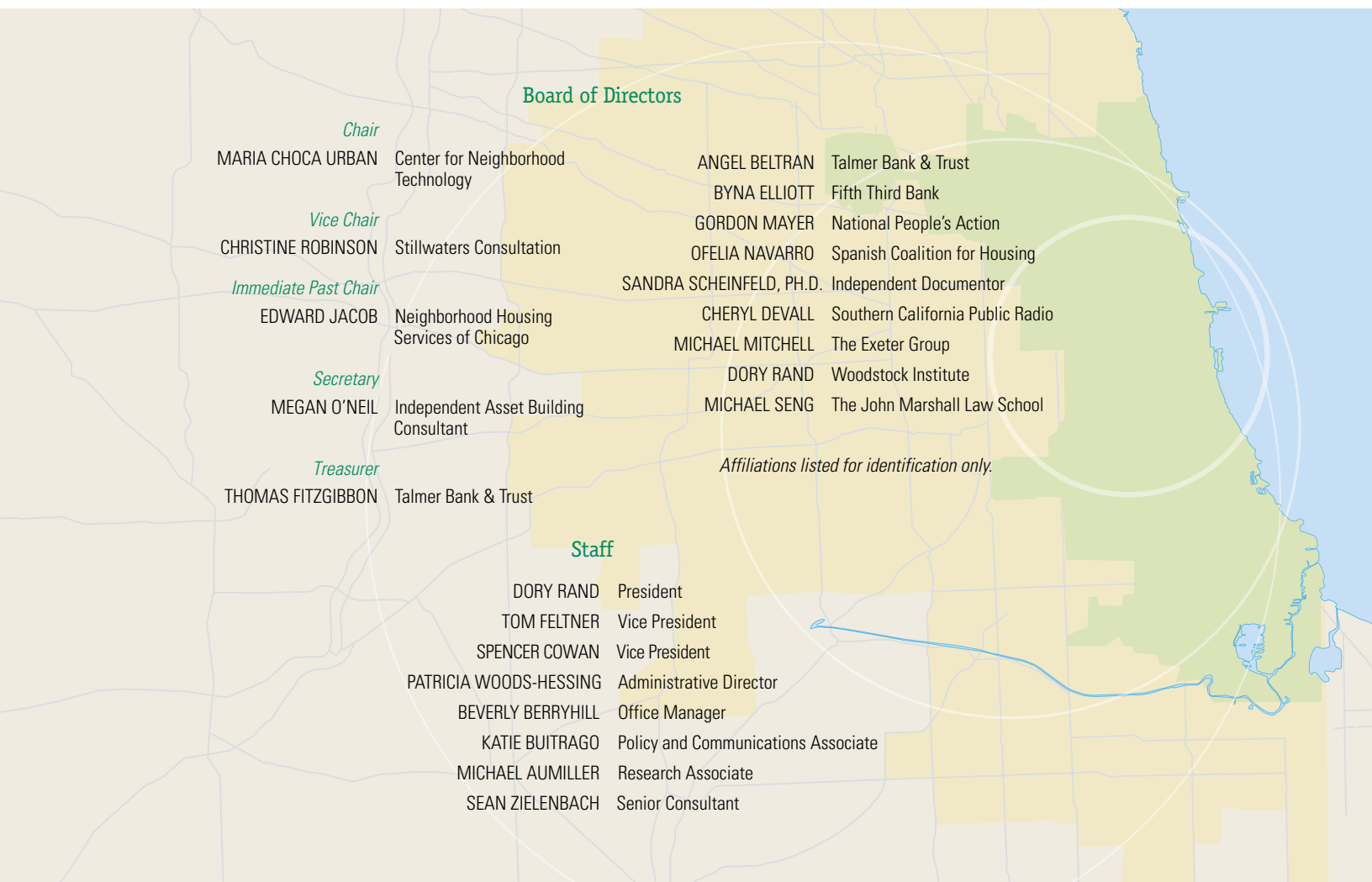
Bank of America  
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Charter One Foundation  
Citi  
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Fifth Third Bank  
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First Midwest Bank  
First Savings Bank of Hegewisch  
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## OUR VISION

A just society in which everyone has an equal opportunity to achieve economic security and community prosperity and a just financial system in which everyone—including lower-wealth persons and communities, and people and communities of color—can safely and sustainably borrow, save, and build wealth.



*Advancing Economic Security  
and Community Prosperity*

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