

Introduction

Since its inception in 1973, Woodstock Institute has been a lead researcher, educator, public policy analyst and advocate of community reinvestment and economic development issues for low-income and minority people and neighborhoods.

The Community Reinvestment Act (CRA) has been enormously successful in promoting community development in minority and low- and moderate-income neighborhoods. Nationwide, Woodstock Institute and other groups have used CRA to work successfully with banks to implement programs that increase access to capital and credit where it is most needed. The positive impacts of CRA are significant. However, the fight for equitable and affordable financial services in lower-income communities continues.

Recently, years of community development advocacy have been threatened by burgeoning financial industries that are robbing families and communities of much-needed assets. The rapid growth of lenders that engage in predatory mortgage or consumer lending practices is a very serious challenge to reinvestment in lower-income areas. Recent legislation such as the Gramm-Leach-Bliley Financial Modernization Act of 1999 has further altered an industry that has already experienced substantial changes in recent years. As the financial services industry transforms itself, Woodstock Institute and its colleagues in the field of community reinvestment will continue to work towards ensuring that all financial institutions engage in fair and equitable practices and reach out to underserved communities.

Goals

Woodstock Institute's goals are to promote community reinvestment, economic development and access to capital and credit in lower-income and minority communities in ways that use the experience and knowledge of local leadership.

Our specific tools are applied research and policy development, technical assistance, public education and coalition-building.

Specific goals for the year 2001 include:

- Working with local financial institutions to create affordable alternatives to predatory mortgage and consumer (payday) loans.
- Increasing access to basic financial services for the unbanked by creating access to basic banking products and expanding financial literacy programs.
- Encouraging continued investment in homes and businesses in central-city, inner-ring suburban and rural communities.
- Documenting and assisting in new ventures which increase economic activity in poorer neighborhoods, including strategies for strengthening community development financial institutions (CDFIs).

The Institute will work towards these goals by tapping into its extensive and growing local and national network of colleagues that includes community groups, financial institutions, bank regulators, public officials, and researchers. Woodstock collaborates with very small local nonprofits, large national coalitions, and groups of any size that work on a local or national basis on the issue of creating and maintaining economic vitality in our neighborhoods.

Combating Predatory Mortgage Lending

Documenting the Patterns of the Subprime and Predatory Mortgage Lending Industries

Research by Woodstock Institute and others shows that low-income, minority and elderly Americans are disproportionately impacted by the disastrous effects of predatory loans. Abusive lending practices threaten hard-won gains in the community development arena and inhibit asset-building in lower-income and minority communities.

Examples of predatory mortgage lending include charging excessive fees and interest rates, high-pressure marketing, “packing” and financing unnecessary fees, and urging overly frequent refinancings with repeated fees rolled into the loans. Predatory loans can reduce home-owners’ equity, put severe strains on family finances, aggravate credit problems, reduce home maintenance, and even lead to foreclosure. These problems lead to long-term losses in household and community wealth.

Woodstock's recent report, *Two Steps Back: The Dual Mortgage Market, Predatory Lending and the Undoing of Community Development* describes predatory lending, identifies some explanations for its growth, quantifies the hyper-segmentation of refinance lending by neighborhood racial composition, and calls for a set of state and federal policies to curb lending abuses. The report has been widely cited in government and advocacy reports on predatory lending.

In addition to this report, in 2000 Woodstock released *An Analysis of the 1998 Refinance Lending Patterns of Bank of America Corporation Affiliates in the Chicago Area*. This publication analyzes the home refinance lending patterns of four Bank of America Corporation affiliates. Two of the lenders are considered prime lenders and two are considered sub-prime. The report finds that the subprime affiliates are heavily concentrated in minority neighborhoods, while the prime lenders are heavily concentrated in white areas. These findings highlight the fact that large national banks are contributing to the problem of the dual mortgage market.

Woodstock also produced a paper entitled *A Comment on: Credit Risk and Mortgage Lending: Who Uses Subprime and Why?* By Anthony Pennington Cross, Anthony Yezer, and Joseph Nichols. The Institute disputed the authors’ claims that the rise in predatory lending is due to increased HMDA reporting, that subprime lenders are not targeting low-income buyers, and that there is no correlation between the sub-prime and predatory lending markets.

Advocating to Reduce Predatory Mortgage Lending

The Institute has been working on local, state and federal policies for curbing abusive lending. At the local level, the Institute was heavily involved in advising the City of Chicago on how it could encourage responsible lending, including preventing financial institutions that engage in predatory practices from doing business with the city. Woodstock staff have also been involved in advising the City on the creation of an Anti-Predatory Lending Education Campaign that will disseminate information about the problem to homeowners and community groups in select neighborhoods. In addition, the Institute has been working with Cook County on a similar ordinance.

At the state level, Woodstock has been working extensively with the Illinois Coalition Against Predatory Home Loans to push for stronger state regulation of home lending. In 2000, a bill passed in the Illinois legislature that called for the Office of Banks and Real Estate and the Illinois Department of Financial Institutions to issue rules to regulate predatory mortgage lending. The rules proposed by DFI and OBRE did not include substantial reform and instead called only for mandated consumer education. The Institute and other groups met with Illinois Governor Ryan and convinced him to redraft these rules. Woodstock continues to work for stronger regulations.

Finally, the Institute has been pushing federal regulators to strengthen consumer protection, fair lending and CRA regulations to discourage abusive lending. Institute staff testified at the Joint U.S. Department of Housing and Urban Development (HUD)/U.S. Department of the Treasury hearings on predatory mortgage lending. A recent series of reports by HUD acknowledges *Two Steps Back* as a model for studies of racial disparities in lending in five major cities. The Institute has distributed the report to all the bank and mortgage regulatory agencies. Woodstock staff met with senior officials at the Office of the Comptroller of the

Currency (OCC) to talk about the report in detail, and have discussed strategies to reduce predatory lending with senior officials at the Office of Thrift Supervision and the Federal Deposit Insurance Commission.

In addition, two prominent public officials--Jerry Hawke, the Comptroller of the Currency and Alan Greenspan, Chairman of the Board of Governors of the Federal Reserve Board--have cited the report in speeches. We have led a discussion at the Consumer Advisory Council of the Federal Reserve Board on pressing for changes in the Home Ownership and Equity Protection Act (HOEPA). The Institute also testified at a Federal Reserve Board hearing on HOEPA at the Chicago Federal Reserve Bank. The Federal Reserve has executive powers to tighten provisions against predatory lending under this statute without recourse to the legislative process. The Institute also advised federal legislators on the development of two federal bills on the issue.

Combating the Involvement of Large Banks in Predatory Lending Practices

Citigroup, the largest bank holding company in the United States with almost \$800 billion in assets, refused this year to commit to substantive changes in its lending practices prior to acquiring Associates First Capital Corporation (the Associates). Woodstock Institute was one of a number of consumer advocates across the country who met with the bank to express their major concerns over both the well-known predatory practices of the Associates and existing problems with Citigroup subprime lending operations, including IMC Mortgage and Citifinancial. The Institute provided extensive comments seeking the refusal of this merger unless Citigroup agreed to reasonable lending guide-lines for all of its subsidiaries.

The Associates has been named in more than 700 lawsuits across the country and has been investigated by the Department of Justice and the Federal Trade Commission for fair lending and consumer lending violations. In Chicago and

elsewhere, IMC Mortgage, a firm that Citigroup first owned through a subsidiary before absorbing its mortgage origination and servicing business, has excessive foreclosure rates. Woodstock found IMC's lending in the Chicago area to be heavily concentrated in minority neighborhoods, and IMC is currently the subject of a soon-to-be class action predatory lending lawsuit. Citifinancial--the unit that the Associates will be absorbed into--also shows large racial disparities in its lending practices.

Citigroup has *refused* to commit to sound lending practices going forward, including, but not limited to:

- A reasonable limit on points and fees (including broker fees) in all loans. Citigroup has only agreed to a cap of 8 percent – a huge figure. Excessive up-front fees allow lenders and brokers to tolerate very high foreclosures and strip equity out of homes.
- Eliminating lump-sum credit-life insurance on all loans. This practice can easily add 20 percent or more to the cost of a loan, making the loan much more difficult to afford. Citifinancial proposes to offer the borrower the “option” of the monthly premium, but because lenders receive large upfront commissions for selling the lump-sum product, this is an important proposal.
- Eliminating prepayment penalties on high-cost loans. The bank has only agreed to eliminate prepayment penalties when it refinances its own loans – hardly a commendable concession – and to limit them to 3 years. These penalties are used to trap borrowers into high-cost loans even if they find they could have qualified for lower-cost credit.

Working to Curb Payday Lending

Analyzing the Payday Loan Industry in Illinois

The payday loan industry has grown very rapidly. These lenders charge exorbitant fees for

small, short-term loans, which are intended to provide cash to borrowers who come up short between paychecks. These controversial loans are banned in nineteen states and can subject borrowers to spiraling debt and unscrupulous collection practices.

In 2000, the Institute released *Reinvestment Alert 14: Unregulated Payday Lending Pulls Vulnerable Consumers into Spiraling Debt*. It analyzes the payday lending industry and its customers. Our study found major faults in the key defense of the industry--that high-interest payday loans are short-term loans used for occasional cash shortfalls. The Institute's analysis of data collected by the State of Illinois found that only a small percent of Illinois borrowers are occasional users of payday loans. The average borrower renews a contract 13 times and pays \$650 in finance charges over 26 weeks for a \$250 loan. That loan would be considerably cheaper at a credit union or from a credit card advance. Woodstock found that lower-income people are disproportionately represented among payday loan borrowers. The high cost and longer duration of payday loans exacerbate the cash flow problems of many borrowers and make it more difficult for lower-income people to accumulate assets.

Developing Policy Initiatives to Regulate the Payday Loan Industry

Woodstock Institute worked with state legislators to discuss Illinois policy changes to combat the practice. Our main policy concerns are: rate regulation, industry reporting standards, multiple rollovers, and loan collection procedures.

Woodstock remains heavily involved with a coalition of groups working to combat payday lending through policy recommendations and extensive public education. This coalition is the Campaign for Payday Loan Reform. Woodstock staff led the Campaign in a meeting with the *Chicago Tribune* editorial board. The *Tribune* then published an editorial that proved to be an about-face from their previous stance supporting the industry. Woodstock will continue to work

through the Campaign and the Chicago CRA Coalition to draft policy changes for and create alternatives to payday loans.

Increasing Access to Basic Financial Services and Financial Literacy Training for Lower-Income Families

Monitoring and Expanding the Alternative Banking Program with Bank One

The Institute continued to work with Bank One to further develop and expand the Alternative Banking Program (ABP). ABP arose out of a community reinvestment agreement that Woodstock Institute and the Chicago CRA Coalition negotiated with First Chicago NBD upon the merger with Bank One. This program, which incorporates more flexible account features and financial literacy training, enables unbanked households to open accounts at Bank One.

At first, ABP operated out of three Bank One branches in low-income areas. Woodstock Institute and members of the Services Task Force of the Chicago CRA Coalition worked with Bank One on expanding the pilot to six branches in Chicago. To date, more than 1,500 checking and savings accounts have been opened. Most of the people enrolled in this program were previously unbanked and relied on high-cost check cashing outlets to conduct basic financial transactions. Woodstock partnered Bank One with appropriate community groups in the six target areas for financial literacy trainings, and at some of these trainings Woodstock staff made presentations comparing bank and credit union services to check cashers. In addition, the Institute helped the Bank to establish a series of focus groups for ABP customers to gain insight into customers' experiences with the program. Woodstock will continue to work with Bank One to monitor, evaluate, and expand this exciting Alternative Banking Program.

Working with Local Financial Institutions to Create Financial Literacy Programs for the Unbanked

Woodstock Institute is working with several other major local banks on developing financial literacy programs for the previously unbanked. This work poses several challenges. It is vital that the financial institution involved in the training provides suitable and affordable products for low-income people. We must constantly scrutinize hidden costs and penalty fees in bank accounts. In addition, it is extremely important that community organizations partner with banks to provide training to ensure that the education truly serves the best interests of low-income people.

In 2000, the Institute worked with LaSalle Bank to create a comprehensive financial literacy program for lower-income families. The Institute worked with the Bank to ensure that the material was appropriate for unbanked, low-literacy-level audiences and encouraged the Bank to translate the curriculum into Spanish. Woodstock then partnered LaSalle with a job-training program for women leaving welfare and entering the workforce. LaSalle offered two separate intensive two-week courses to participants in the programs. LaSalle's training focused on basic budgeting, banking options, and debt management. The vast majority of women in these programs (almost all of whom were previously unbanked) opened savings accounts at LaSalle after the trainings. Woodstock staff then met with LaSalle to discuss expansion of the trainings. In late June the bank hosted two community forums to introduce its curriculum (free of charge) and offer financial education services to the groups' constituencies.

Also, pursuant to the 1999 CRA agreement between the Chicago CRA Coalition and Old Kent Bank, Woodstock and other members of the Financial Services Task Force met regularly with the bank to discuss financial literacy, direct deposit programs, and accounts for the unbanked. Old Kent worked with the Task Force to develop a financial literacy curriculum, identify

potential community partners and procure suitable materials for unbanked consumers.

In its 1999 agreement with the Chicago CRA Coalition, Charter One Bank FSB agreed to promote the Totally Free Checking Account through financial literacy workshops and counseling conducted in cooperation with community groups and members of the Coalition. Woodstock continues to meet with the bank to discuss details of implementing the program in Fall, 2000. Finally, the Institute has initiated meetings with on this topic with the Northern Trust Company, TCF Bank, and others.

Researching Avenues for Asset-Building in Lower-Income Communities

Documenting the Scope of Financial Literacy Programs for Lower-Income Families

In January 2000 the Institute published *Tools for Survival: An Analysis of Financial Literacy Programs for Lower-Income families*. This report highlights the need for financial education for lower-income families. The report shows a huge gap between the need for such training and the supply of appropriate training opportunities, and stresses that financial education is a necessary--but not a sufficient--condition for reducing poverty. It shows how low-income people are exploited by segments of the financial service sector and how many families lack the tools to avoid exploitative products and marketing.

The report details what financial training poorer Americans receive and makes recommendations for providing more adequate training. These recommendations include:

- Strengthening and Expanding State Financial Literacy Mandates for Schools
- Enabling Consumer Credit Counseling Agencies to Combat Exploitative For-Profit Firms

- Developing Appropriate Financial Literacy Curricula for Low-Income People
- Treating Financial Literacy as a Long-Term, Repetitive Process
- Increasing the Scope and Effectiveness of Workplace Financial Literacy Training
- Exploiting Moments of Motivation to Ensure Productive Programs
- Enforcing Financial Institutions' Continuing Responsibility for Clear and Instructive Advertising and Honest Dealing and for Marketing Their Products in Lower-Income Communities
- Encouraging Federal Regulators to Place More Emphasis on the Service Test of CRA Exams
- Increasing Tax and Other Federal and State Incentives for Low-Income People to Save

Creating a Best-Practices Report on Partnerships between Community Groups and Banks Wishing to Serve the Needs of the Unbanked

In the summer of 2000, Woodstock released *Reinvestment Alert 15: Community-Bank Partnerships: Creating Opportunities for the Unbanked*. This widely circulated and requested publication documents the efforts of the Institute and the Chicago CRA Coalition in creating lifeline bank accounts and financial literacy programs with local financial institutions. The report outlines the characteristics of unbanked households, the challenges of being unbanked and the importance of asset-development for lower-income families. It then describes model access account and financial literacy program features.

The publication outlines the processes that the Coalition and various financial institutions went through to create the programs and highlights opportunities for and challenges to lifeline banking.

Commenting on the CRA Record of Financial Institutions

Woodstock Institute disseminates quarterly schedules of CRA exams for local banks to a wide variety of community and other nonprofit organizations to encourage such groups to comment to regulators on the CRA records of the institutions listed. CRA exams have taken on renewed importance as Financial Modernization Legislation passed by Congress in 1999 places emphasis on the ratings of institutions that seek new powers allowed under the law.

The Institute recently led an effort to persuade the Office of the Comptroller of the Currency (OCC) to downgrade the CRA rating of Corus Bank, one of the ten largest banks in Cook County (which is its CRA assessment area). The Institute evaluated Corus' recent CRA performance and found that it merits no higher than a Needs to Improve rating (the bank got a Satisfactory rating for their 1998 exam).

Woodstock argued that overall Corus exhibits a pattern of poor quality lending and services which are detrimental to the credit and development needs of low- and moderate-income communities in Cook County and elsewhere. The Institute analyzed the Bank's activity according to the three components of the CRA regulations: lending, investments, and services.

The Institute found that the bank was performing poorly in every area. Further, the Bank has been directly or indirectly involved in activities that are devastating to lower-income and minority communities, including predatory mortgage lending, payday lending, and pushing low-income consumers into check cashing outlets rather than encouraging them to utilize the bank's services. Additionally, the bank showed no complexity or innovation in its community development lending, services or investments, and its relationships with community groups have been extremely minimal.

All in all, fifteen separate entities wrote negative comment letters to the OCC asking for a downgrade for Corus Bank. Regulators, including Comptroller of the Currency John Hawke, have voiced their *intent* to initiate penalties on banks that engage either directly or indirectly in predatory lending practices; the Institute was giving them cause to put such intent into action. Unfortunately the OCC failed to issue a less-than-Satisfactory rating to Corus. Woodstock and the Chicago CRA Coalition will continue to meet with regulators to discuss the policy implications revealed through the process of this particular CRA examination. The regulators have indicated to us that the comments on the Corus Bank exam have raised serious policy and implementation issues that will be examined. Moreover, following the advocacy surrounding this exam, the OCC and OTS (Office of Thrift Supervision) issued a joint statement warning banks against involvement with the predatory payday loan industry.

Additionally, in the past year the Institute has commented on other bank CRA exams where, in our view, the bank's record and practices raised important policy issues.

Advocating for Increases in Small Business Lending in Lower-Income and Minority Communities

Small businesses are a vital component of any thriving commercial district. However, businesses located in lower- and moderate-income neighborhoods have significant difficulties obtaining capital and credit. Our new study, *Where Banks do Business: Small Business Lending Patterns in the Chicago Area, 1996-1998*, analyzes the lending patterns of banks and thrifts making small business loans in the Chicago area. Banks are ranked according to their business lending in lower- versus higher-income census tracts. The report also examines changes since 1996, the first year for which such data were available, and finds that overall increases in lending are heavily concentrated in

middle- and upper-income areas. The principal findings of the report include:

- The recent growth in small business lending activity has occurred primarily in middle- and upper-income (MUI) areas; increases in low- and moderate income (LMI) communities lag gains in other areas.
- The gap between the loan-per-firm rates in LMI neighborhoods and those in MUI areas worsened significantly.
- Branch locations remain a critical determinant of the lending patterns of banks and thrifts.
- Out-of-state lenders are playing a larger role in the Chicago market. Yet local lending by these banks is rarely evaluated for CRA purposes.
- The large bank holding companies with substantial deposits in the region are generally weak lenders in LMI areas.

Documenting Innovative Approaches to Microenterprise Development

Woodstock Institute has long been involved in documenting innovations in community development. Microenterprises offer the opportunity to bring an influx of capital and credit to lower-income people and communities. Our report, *Accessing Markets and Fortifying Entrepreneurship: Sectoral Approaches to Microenterprise Development*, describes sectoral networks, which are a fairly recent innovation in micro-enterprise development in the United States. These networks facilitate the establishment of formal and informal alliances between firms producing similar products or services. Microenterprises can also benefit from shared staff and space, joint bidding on large projects, flexible manufacturing processes, and joint marketing and advertising.

The programs profiled are: Rural Ohio's Appalachian Center for Economic Networks (ACEnet) Food Ventures program; and the Chicago-based Women's Business Development

Center's (WBDC) Apparel Roundtable. The report describes each program's technical assistance, mentorship, and networking services and how the programs affect job creation, increased sales, and improved entrepreneurial capacity. In addition, *Accessing Markets and Fortifying Entrepreneurship* explores how networks, which are common among large and small businesses, have been adapted by microenterprise support agencies.

Working for More Effective Regulations

The Institute is working to examine proposed regulations under the Financial Services Modernization Act that most affect low-income people. We are particularly concerned about the so-called Sunshine provision. This provision requires nonprofits that receive certain grants or loans from regulated financial institutions and that comment on CRA matters to report the details of any bank contracts to the regulators. The intent of this provision is to make CRA activism more difficult for participating non-profits. Our goal is to minimize the burden of the requirement on nonprofits. The bank regulatory agencies released the proposed regulations in the summer of 2000, and Woodstock provided extensive comments. The Institute also commented on the proposed regulations on consumer privacy. Groups around the country are very concerned with the impacts of private data-sharing that will likely occur as banks, insurance companies and securities firms merge. We are particularly concerned with the confidentiality of medical and financial records and the possible discrimination that could arise when companies sell or share such information.

Finally, Woodstock staff have written articles, given presentations, and made speeches for local and national venues on the failure of Financial Modernization to "modernize" CRA and thereby encourage financial institutions to serve low-income people more effectively. Congress missed a once in a lifetime opportunity to ensure that as financial institutions gain new powers, they are

held accountable to all members of their communities, including low-income areas. In addition, the Institute has been involved in developing policy changes that would reduce the harmful provisions of the Financial Modernization Act and protect low-income consumers.

Organizing Regular Meetings Between Midwest Bank Regulators and Community Groups

In 1998, Woodstock initiated a regular dialogue between community groups and bank regulators on a variety of CRA issues. These quarterly meetings between the Chicago CRA Coalition and senior Midwestern representatives of the Federal Reserve Bank, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency are unique in this country. This type of forum helps community groups understand their role in the regulatory process and enables regulators to get a grass-roots perspective on how banks can better serve their communities. In 2000, topics of discussion included predatory lending, proposed regulations of the Gramm-Leach-Bliley Financial Modernization Act, safety and soundness of bank loans, CRA assessment areas, the financial service needs of the unbanked, and the challenges and opportunities of economic development in lower-income neighborhoods.

Convening and Staffing the Chicago CRA Coalition and Implementing its Priorities

In 2000, the Chicago CRA Coalition added a fourth task force on Investments and Grants to its ranks. The other task forces cover Financial Services, Economic Development and Housing. Woodstock ensured that all of the task forces met regularly to create CRA goals and implement priorities. Woodstock led the Coalition in monitoring the CRA agreements with Old Kent Bank and St. Paul Federal/Charter One Bank that

the Coalition negotiated in 1999. Woodstock continued to lead in monitoring the Coalition's pathbreaking agreement with Bank One. The Institute also organized meetings between the coalition and several other major local banks to discuss community reinvestment concerns and to develop new programs.

The Institute is very proud to report that at the annual conference of the National Community Reinvestment Coalition (a coalition of over 800 organizations nationwide), the Chicago CRA Coalition received the 2000 James Rouse Excellence in Achievement Award in the category of Urban nonprofit. The Coalition was recognized for its recent work in negotiating CRA agreements with several local banks as well as for innovative programming and successful organizing around a variety of community reinvestment issues.

National Participation

One again, in the year 2000 Institute staff continued Woodstock's policy and education leadership at the national level by playing a very active part in several important boards and in national trainings:

Consumer Advisory Council of the Federal Reserve Board

A Woodstock staff person sits on the Consumer Advisory Council (CAC) of the Federal Reserve Board in Washington, D.C. and chairs the bank regulatory committee of the Council. The Council, which was established by federal statute in 1976, advises and consults with the Federal Reserve Board about the Board's responsibilities under such statutes as the Community Reinvestment Act, the Home Mortgage Disclosure Act, and the Truth in Lending and Equal Credit Opportunity Acts. Major Council topics this year included predatory lending and the sunshine provision of the Gramm-Leach-Bliley Financial Modernization Act.

National Community Reinvestment Coalition (NCRC) Annual Conference and Board Participation

In March 2000, the National Community Reinvestment Coalition held its annual meeting in Washington, DC. NCRC has recently focused on the harmful effects of predatory lending practices on lower-income communities, the implications of financial modernization regulations for CRA advocates, and continuing education around the need to expand CRA.

At the conference, Woodstock made presentations in panels focusing on developing hybrid lending institutions (CDFIs and CDCUs), understanding data and regulatory rulemaking, and ensuring accurate CRA exams. In addition, Woodstock contributed to several workshops focusing on a variety of subjects, including financial literacy, the impacts of financial modernization on community-bank partnerships, and interpreting the regulations of the Financial Modernization Act.

Woodstock encouraged local nonprofits to attend the conference and helped some of them to secure funding for conference expenses. In addition, the Institute organized meetings for Chicago-area nonprofits with Illinois Congresspeople to discuss community concerns about predatory lending and the impacts of rapid changes in the financial services industry.

Woodstock Institute sits on the executive committee of the NCRC Board.

The Coalition of Community Development Financial Institutions

Woodstock sits on the Steering Committee of this Coalition, which acts as the advocacy and policy arm of the CDFI industry. In the past year, the Steering Committee has focused on reorganizing its internal structure and negotiating the development of a program in the CDFI Fund for small and emerging CDFIs. The Institute has been the major source of information to the Committee on the likely effects of the Financial Modernization

Act on low-income communities and on CDFIs. At the Coalition's Biennial Training, Woodstock organized and chaired a session on bank modernization. Staff also moderated a three-day retreat on the common collection of CDFI performance and impact indicators.

Banker Community Collaborative Council (BCCC)

Woodstock Institute is a member of the BCCC, which brings together bankers who are publicly committed to community reinvestment and representatives from community reinvestment organizations who sit on the NCRC Board. BCCC members meet to discuss community reinvestment policy and issues. In 1999 the Council worked with the SBA to increase its credit enhancement guarantee for small business loans in the most disadvantaged communities to up to 80% of a loan. The new loan product, called "Community Express," was launched in several markets where member banks operate. Recently, the product and lenders have been expanded to many more markets. By mid-2000, loan commitments under the program approached \$11 million. Of over 100 loans, almost 70% went to minority-owned businesses. The Council has also discussed bank modernization, the proposed "sunshine" regulations and predatory lending.

Public Education

Electronic Media

Woodstock Institute has continued to expand the capacity of its much-used website. In 2000, Woodstock procured a .org domain name. In addition, many of Woodstock's shorter reports and select longer publications can now be downloaded free of charge from our website. Moreover, the site contains action alerts, policy developments, and links to over 100 organizations, including local and national nonprofits, bank regulators, and government agencies.

The web page is becoming an increasingly important tool for disseminating technical assistance and public education. Woodstock receives regular online inquiries about CRA, predatory and payday lending, economic development, housing, financial literacy, CDFIs and other subjects. Through the Institute's web site, community development groups, governmental bodies, banks, credit unions, universities and others are able to tap into Woodstock's expertise on specific issues. In addition, the Institute uses online listserves as networking tools for policy and practice debates. Currently the Institute is a member of listserves focusing on CRA, affordable housing, urban development, and micro-enterprise development.

Traditional Media

In addition to its utilization of electronic media, Woodstock Institute reaches a wide national and international audience through traditional media resources. This is a vital component to Woodstock's work, as media coverage serves to educate the public about important community reinvestment and economic development issues.

Newspapers covering Woodstock's work or seeking our expertise in 2000 include: *Wall Street Journal*, *American Banker*, *Dallas Morning News*, *Indianapolis Recorder*, *Streetwise Newspaper*, *Chicago Defender*, *Chicago Reader*, *Chicago Sun-Times*, *Crain's Chicago Business*, and *Chicago Tribune*.

The Institute's work was also covered in various magazines, trade publications and newsletters, including *Shelterforce Magazine*, *The Neighborworks Journal*, *Chicago Reporter*, *North Side (Community Federal Credit Union) News*, *Leadership Council News*, *Community Development Digest*, *Illinois Welfare News*, *NFC (Nonprofit Financial Center) Notable\$*, *Poverty and Research Action Council Newsletter*, *Consumer Bankruptcy News*, *Bank-Rate.com*, *Profitwise*, *CAFHA (Chicago Area Fair Housing Alliance) Update*, *Family Economics NEWS*, *National Low-Income Housing Coalition Update*, *Inside Mortgage Compliance*, and *The Region*

(Federal Reserve Bank of Minneapolis). Woodstock also received coverage of its work on television, cable and radio stations.

Technical Assistance

The Institute staff dedicates a great deal of time to assisting individual community groups and others who work on economic development and community reinvestment issues. The following is a selected list of technical assistance for the year 2000.

Technical Assistance in Chicago and the Surrounding Metropolitan Area

Affordable Housing Corporation of Lake County - Advised on how to create a financial literacy program for first-time homebuyers.

Center for Law and Human Services - Compiled data on bank branch locations and lending patterns in seven Chicago community areas to assist in a campaign to help Earned Income Tax Credit recipients build assets. Also worked with the Center on press and media strategies for a program seeking to bank the unbanked.

Center for Neighborhood Technology - Generated tables and graphs to help evaluate a particular lender for participation in a location efficient mortgage program. Provided analysis of the data and charts.

Chicago Commons - Referred to banks for collaborative financial literacy programs.

Chicago Community Loan Fund - Explained the CRA Strategic Plan option and gave advice on interpreting goals within the plans.

Chicago Jobs Council - Gave detailed information on the CRA exam and strategic plan processes, including explanation of how to make comments.

Chicago Low-Income Housing Trust Fund - Advised on documenting the success of the Rental Assistance Program in Chicago.

City of Chicago, Department of Housing - Provided extensive assistance in crafting the press package for Mayor Daley's Chief of Staff's press statement on predatory lending. Compiled lending data and commented on materials. Met with staff to discuss predatory lending, CRA, regulatory structure, and model legislation.

City of Chicago, Personnel Department - Provided recommendations and referrals for financial literacy trainings for City employees.

City of Chicago, Treasurer's Office - Gave background information, referrals and advice on creating community-based and school-based financial literacy programs.

City of Peoria - Met with City officials to discuss the history and importance of public deposit programs.

Cook County Commissioner's Office - Gave advice and feedback on a Cook County predatory lending ordinance.

Federal Home Loan Bank of Chicago - Provided information on how partnerships formed between the Chicago CRA Coalition and local financial institutions have facilitated increased financial services for the unbanked.

Federal Reserve Bank of Chicago - Referred to community groups in the south and northwest suburbs for community contacts for local bank CRA exams.

Financial Links for Low-Income People - Helped create an evaluation plan for a financial literacy curriculum for recipients of state welfare benefits and explained predatory financial practices.

First Fellowship Federal Credit Union - Provided assistance, referrals and recommendations

for forming a new community development credit union.

Illinois Campaign for Political Reform - Provided research for a press release on legislative efforts to combat payday lending.

Illinois Department of Human Services - Worked with the Department to develop a brochure to encourage recipients of state cash benefits to use direct deposit services.

Kennedy-King College - Gave recommendations and referrals for organizing a financial literacy program.

LaSalle Bank - Assisted the bank in procuring an instructor for financial literacy trainings for low-income people. Also provided a list of Chicago community organizations for possible financial literacy partnerships.

Legal Assistance Foundation of Chicago - Generated reports on refinance loans to minorities for a specific lender for a pending lawsuit. Also provided extensive technical assistance for a proposal to create a community development credit union. Assistance included extensive lending analysis, project design, referrals and best practice advice.

Lexicon Consulting - Compiled data for FHA/VA lending in the Austin neighborhood and explained the different lending categories in the HMDA data.

Loyola University Center for Urban Research and Learning - Counseled on how to conduct a small business needs assessment.

Malcolm X College - Advised on curricula, community partners, and local financial institutions for financial literacy workshops.

Metropolitan Family Services - Discussed possible ways to provide car loans for MFS borrowers and gave recommendations for program design.

MidAmerica Leadership Foundation - Discussed the process of forming community-bank partnerships, gave background on the successes of the Chicago CRA Coalition, and provided information on financial literacy programs.

Monroe Foundation - Provided assistance on access account features and best practices in collaborating with banks to provide low-cost deposit services for the unbanked.

Neighborhood Housing Services of Chicago - Gave extensive statistical information on black and Latino homeownership and homebuying rates. Advised on strategies for financial literacy programs. Also provided extensive lending data on select neighborhoods in Chicago.

North Center / Lincoln Square Neighborhood Association - Sent community lending profiles of specific neighborhoods to aid the group in their assessment of the threat of gentrification.

North Side Community Federal Credit Union - Gave historical information on networks of community development credit unions (CDCUs) in Chicago for the possible establishment of a new network. Provided information on program impact measures for a CDFI application. Also set up a meeting with the National Community Investment Fund so the Credit Union could explore possible funding venues.

Salvation Army - Provided background information and referrals for a financial education program for low-income parents.

Steans Family Foundation - Sent data on home lending in the North Lawndale neighborhood for a community "report card."

Trinity United Church of Christ - Advised on approach to an investment/ financial literacy program for a large African-American church on Chicago's south side.

United Steel Workers Association of America - Compiled residential and small business lending data on Harris Bank to aid union workers in a

labor dispute with Titan Co., which has been afforded several lines of credit by the bank.

Urban Insurance Partners Foundation - Gave extensive information on possible community reinvestment opportunities for insurance companies.

Village of Matteson - Compiled HMDA data and generated maps for the Village, concentrating on race of buyer for 1997 and 1998.

Village of Richton Park - Advised on community reinvestment performance of possible lenders for a development project.

Women's Self-Employment Project - Provided information on and examples of community-bank partnerships for a project involving smart cards for the unbanked.

National and International Technical Assistance

American Bar Association, Jefferson, MD - Gave background information on financial literacy programs.

Asset-Development Institute of Tufts University, Medford, MA - Provided information on how certain loan and financial literacy programs increase asset-development for lower-income people.

Bankrate.com, North Palm Beach, FL - Gave advice and community group referrals for a story on CRA successes and failures in Evanston, IL and Wilmington, DE.

Bethlehem Community Development Credit Union, Chattanooga, TN - Gave advice and information on setting up a microenterprise loan product.

Brookings Institution, Washington, DC - Advised on a research project on the effects of the Gramm-Leach-Bliley Financial Modernization Act on CRA.

California Reinvestment Coalition, San Francisco, CA - Provided research on predatory mortgage lending and advised on how to conduct research projects on the subject.

Community Development Financial Institutions Fund, Washington, DC - Gave an overview of available micro-credit outcome data and made suggestions for improving the data.

Community Development Technology Center, Los Angeles, CA - Discussed strategies and provided recommendations for the implementation of a financial literacy program for unbanked immigrant families.

Community Public Private Partnership Programme, South Africa - Hosted a visit to explain the history, development, and challenges of the community reinvestment movement in the U.S. The group is considering recommending CRA-like legislation for South Africa.

Department of Political Science, University of California at Berkeley, Berkeley, CA - Provided information on the role of community organizing in implementing the CRA.

East Side Community Center, Columbus, IN - Gave advice, recommendations and referrals on creating financial literacy programs and on developing affordable loan products.

European Collaborative for Community Investment, London, England - Discussed the history and current focus of the community reinvestment movement in the United States.

Federal Deposit Insurance Corporation, Washington, DC - Advised on focus group design and questions for a predatory lending forum in Boston, MA.

Indiana State NAACP - Provided details on how to collect and evaluate data to assess a bank's CRA performance and described the CRA exam process. Gave information on how to analyze the payday loan industry.

Institute for Financial Services, Hamburg, Germany – Met with the Institute to describe the community reinvestment movement in the United States and to discuss strategies for meeting the needs of the financially excluded.

London Rebuilding Society, London, England - Discussed the role of specialized, urban loan funds and gave advice about the formation of such funds.

National Community Reinvestment Coalition, Washington, DC - Provided analysis of available research on predatory mortgage lending and advised on how to use the research.

National Congress of Black Churches, Washington, DC – Discussed strategies for education, technical assistance and funding for faith-based institutions involved in community development.

National Federation of Community Development Credit Unions, Washington, DC – Discussed ways that community development credit unions can assist small businesses and micro-enterprises through specialized loan programs.

National Urban League, Washington, DC - Gave basic information on the history of CRA for a presentation.

Neighborhood Reinvestment Corporation, Atlanta, GA – Discussed background of CRA and gave advice on forming bank partnerships.

New Economics Foundation, London, England – Provided background information about the community reinvestment movement in the United States and discussed strategies for meeting the needs of the unbanked.

Office of the Comptroller of the Currency, Washington, DC – Gave background information to senior staff on Illinois payday lending regulatory initiatives. Also provided comments on the Community Financial Services Association’s “best practice” guidelines.

Office of Representative Luis Gutierrez, Washington, DC – Provided statistics and anecdotes on the successes of CRA for the release of the CRA Modernization Act.

Ogden City, Utah – Provided information and referrals on credit card banks and CRA for a loan pool that the city will be running for a credit card lender.

New Jersey Social Justice Institute, Newark, NJ - Advised on replicating Woodstock's *Two Steps Back* report for the Newark metropolitan area.

United Kingdom Social Investment Forum and United Kingdom Treasury Department London, England, - Gave information on how community reinvestment works in the United States. Provided an overview to the Chancellor of the Exchequer’s Social Investment Task Force of the “sticks and carrots” approach that is used to ensure that financial institutions invest in and serve low-in-come areas.

University of Kentucky Cooperative Extension, Lexington, KY – Gave advice and referrals for a low-literacy-level financial education curriculum.

Victorian Local Governance Association, Melbourne, Australia - Compiled a list of relevant organizations to assist in the formation of a tour of the United States to study community banking and affordable housing.

Washington State Department of Community, Trade and Economic Development, Sequim, WA - Gave referrals on state-sponsored business lending programs.

Presentations

January

"Using HMDA Data to Assess Banks' CRA Performance," Chicagoland Compliance Association Conference, Chicago, IL

"Recommendations for Regulations to Reduce Predatory Lending," Videophone presentation from Chicago to senior policy staff of the Office of the Comptroller of the Currency, Washington, DC

February

"CRA: Past and Present," Conference of the United States Department of Housing and Urban Development, Chicago, IL

March

"Banking and Teens," Upperclasswoman Assembly, Josephinum High School, Chicago, IL

"Financial Literacy and Wealth Creation for Community Residents," Commitment to Justice Conference, Center for Community and Interfaith Partnerships, Chicago, IL

"Efforts to Combat Predatory Mortgage and Payday Lending in Illinois," Annual Conference, Coalition on Homelessness and Housing in Ohio, Columbus, OH

"Impacting the Regulators: Ensuring Accurate CRA Exams," National Community Reinvestment Coalition Conference, Washington, DC

"Understanding Data, Regulatory Rulemaking, and the Movement for Economic Justice," National Community Reinvestment Coalition Conference, Washington, DC

"Developing Hybrid Lending Institutions: CDFIs, Community Development Credit Unions," National Community Reinvestment Coalition Conference, Washington, DC

"The Changing Faces of Community Development Financial Institutions," National Community Reinvestment Coalition Conference, Washington, DC

"Current Challenges to Community Reinvestment," Center for Urban Research and Learning, Loyola University, Chicago, IL

April

"The Predatory Lending Crisis in Chicago: The Dual Mortgage Market and Local Policy," Testimony before the Chicago City Council, Chicago, IL

"Dimensions and Discriminating Impacts of Predatory Lending Practices," National Association of Consumer Advocates Predatory Lending Conference, Atlanta, GA

"Success in the 21st Century: Why the Health of our Region Depends on Furthering Equal Housing Opportunity," Chicago Area Fair Housing Alliance, Chicago, IL

May

"Financial Modernization and the Community Reinvestment Act," Federal Reserve System Community Affairs Conference, Chicago, IL

"How to Form a Community Advisory Board," First Fellowship Federal Credit Union Formation Meeting, Chicago, IL

"Hypersegmented Mortgage Markets and Predatory Lending: Moving Towards a Solution," Testimony to the Joint Task Force on Predatory Lending, U.S. Department of Housing and Urban Development and U.S. Department of the Treasury, Chicago, IL

"Publicizing Your Research," Community Media Workshop Annual Conference, Chicago, IL

"The Changing Financial World: Low-Income People and Asset-Building," Annual System-

Wide Bank Structure and Competition Research Conference, Federal Reserve Board, Chicago, IL

June

“Effective Strategies for Connecting Immigrant Communities to Mainstream Financial Services,” Grantmakers Concerned with Immigrants and Refugees: Strengthening Immigrant Families and American Communities Conference, Miami, FL

“Community-Bank Partnerships Enhance Financial Literacy Programs: Success Stories from the Chicago CRA Coalition,” Community Forum on Financial Literacy sponsored by LaSalle Bank, Chicago, IL

“Bank Modernization and Low-Income People,” Conference of the Community Reinvestment Act Coalition, Milwaukee, WI

July

“CRA, Fair Lending, and Local Government,” Board Meeting of the North Shore Water Distribution Board, Gurnee, IL

August

“Changes to HOEPA and Other Needed Actions by the Federal Reserve Board to Reduce Predatory Mortgage Lending,” Invited Testimony and Main Panel Participant, Public Hearing of the Federal Reserve Board on the Home Ownership and Equity Protection Act, Chicago, IL

September

“Legal Loan Sharks,” Donors Forum Community Building Task Force, Chicago, IL

“The CRA Sunshine Provision,” Cleveland Federal Reserve Bank Annual Conference, Cleveland, OH

“Small Business Lending in Underserved Communities,” FDIC/OTS Conference on Small Business Lending, Chicago, IL

October

“Predatory Mortgage Lending and Policy Concerns,” HUD Housing Policy in the New Millennium Conference, Washington, DC

“Electronic Banking and Low-Income People,” Conference on Community Development, American Banker Association and Federal Reserve Banks of Chicago and St. Louis

November

“The Dual Mortgage Market: Problems and Policy Responses,” Remaking Chicago Great Cities Winter Forum, Chicago, IL

December

“Predatory Lending: Consequences and Solutions,” LaSalle Bank Annual Tom Gobby Awards Event, Chicago, IL

Collaborations and Memberships

Adjunct Faculty, Chicago Studies Program, Loyola University – Woodstock staff person teaches a graduate-level course on urban development policy.

Adjunct Faculty, Urban Planning and Public Policy Program, University of Illinois at Chicago – Staff person teaches a graduate-level class on real estate analysis.

Advisory Committee, Cluster Program of the Women Self-Employment Project - Provides support and technical assistance to women-owned businesses.

Advisory Committee, Illinois LINK Committee - Advises on strategies to implement and increase usage of the electronic benefits transfer (EBT) direct deposit initiative in Illinois.

Advisory Committee, Federal Reserve Bank of Chicago Small Enterprise Capital Access Partnership – Seeks to improve access to capital and credit for underserved businesses in the Chicago area.

Advisory Group Member, Anti-Predatory Lending Education Campaign – Focus group for the City of Chicago’s campaign to highlight abusive lending practices and encourage non-predatory lending in targeted neighborhoods.

Board Chair, Financial Markets Center (FMC) - Monitors the activity of the Federal Reserve Board from the perspective of the average citizen.

Board and Executive Committee Member, National Community Reinvestment Coalition - A coalition of over 700 members working to improve community reinvestment practice and policy throughout the country.

Board Member, Center for Community Labor Research - Specializes in new approaches to community development, with an emphasis on

manufacturing effective partnerships between labor, community, and business groups.

Board Member, Seguin Services, Inc. – Provides housing and support services to handicapped children and adults. Special assistance includes coordinating the financial literacy and credit counseling programs for Seguin staff.

Board Member, CANDO - CANDO is the Chicago Association of Neighborhood Development Organizations.

Board Member, Deborah’s Place – Provides permanent and transitional shelter and support services for homeless women.

Co-Chair, Federal Reserve Bank of Chicago’s Mortgage Credit Access Project - Seeks to document the barriers to and the solutions for equal access to homeownership at every stage of the homebuying process. Also member of MCAP’s Predatory Lending Task Force, which works to formulate state and federal policy to curb predatory mortgage lending.

Convenor, Chicago CRA Coalition – Develops and advocates for concrete improvement in Chicago region banks’ community reinvestment activities.

Convenor, Midwest Bank Regulators and Community Development Organizations Collaborative - Discusses community and regulator issues that impact the effect of new CRA regulations.

Core Group Member, Policy Research Action Group - Promotes collaborative research and projects between universities and community groups in the Chicago area to promote effective policy and action.

Instructor, Urban Developers Program, University of Illinois College of Urban Planning and Public Affairs - Co-teaching a graduate level course on the residential development process.

Member, Bankers Community Collaborative Council - Works on improving effectiveness of the Small Business Administration loan guarantees; increasing small business lending by regular financial institutions; and increasing the flexibility of Freddie Mac and Fannie Mae underwriting for affordable mortgages.

Member, Chicago Low-Income Housing Trust Fund - Oversees city and other funds to improve housing for very low-income people.

Member, Consumer Federation of America - Advocates, provides technical assistance and develops policy in the interest of consumer protections.

Member, Community Development Roundtable, Federal Reserve Bank of Chicago - Meetings with regulators and other community representatives to discuss Midwest community development issues.

Member, Illinois Citizen's Agenda - This coalition of nonprofits is developing a state policy agenda for community development for all lower-income communities.

Member, Illinois Coalition Against Predatory Home Loans - Works to reduce the negative effects of predatory lending through advocacy and extensive work on anti-predatory lending legislation at the State and local levels.

Member, Illinois Insurance Collaborative - Seeks to document the barriers to and find solutions for equal access to home insurance products.

Member, National Forum to Promote Lower-Income Household Savings - Meets quarterly to review progress and provide feedback on Cleveland Saves, which is a pilot program developed by the Consumer Federation of America and Cleveland-based community groups to promote financial literacy and increased savings and asset development.

Member, National Partnership for Financial Empowerment - Public-private partnership led by the U.S. Department of the Treasury. Seeks to raise awareness of the need for financial literacy training.

Member, State Agenda for Economic Development - Participated in task force on ensuring insurance company investments in lower-income communities.

Policy Advisory Committee Member, City of Chicago Department of Housing - Advises Chicago's Commissioner of Housing on state and federal housing policy matters.

Steering Committee Member, Campaign for Payday Loan Reform - Works on legislation, public education and advocacy to reduce the negative effects of the payday loan industry in Illinois.

Steering Committee Member, Coalition of Community Development Financial Institutions - Advocates for improved policy, practice and resources for community development financial institutions.

Steering Committee Member, Financial Links for Low-Income People - Coalition of community and consumer groups, lenders and regulators working to create a comprehensive financial literacy program to be included in Illinois' welfare-to-work initiatives.