

WOODSTOCK INSTITUTE

2001 ACCOMPLISHMENTS

December 2001

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Introduction

Woodstock Institute is pleased to report on a very successful year. In 2001, Illinois became the first state to pass tough regulations on both predatory mortgage and payday lending. The Institute and its colleagues worked very hard for these victories, which are extremely important in light of the changing financial services industry. The Institute is one of the only groups in the Midwest region that is actively engaged in policy development and the creation of alternatives to both predatory mortgage and payday lending.

Although the Community Reinvestment Act (CRA) has been enormously successful in promoting community development in minority and low- and moderate-income neighborhoods, the fight for equitable and affordable financial services in lower-income communities continues. Low-income and minority families are less likely to engage the services of traditional financial institutions, and are often at risk of being preyed on by unscrupulous or over-priced financial firms. These so-called “unbanked” households have greater difficulty building assets, obtaining employment, and even finding housing.

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. Woodstock Institute will continue to work towards ensuring that all financial institutions engage in fair and equitable practices and reach out to underserved communities.

Woodstock Institute will continue to focus on the following goals in the year 2002: (1) increasing lower-income families’ access to fairly-priced, safe and sound capital, credit, and bank services, (2) increasing investments and job opportunities in lower-income communities.

Successfully Advocating for State and Federal Policies to Curb Abusive Lending Practices

Over the past year, Woodstock worked aggressively to improve regulation of high-cost home lending. In 2000, a bill passed in the Illinois legislature that called for the Office of Banks and Real Estate (OBRE) and the Illinois Department of Financial Institutions (DFI) to issue rules to regulate predatory lending. The initial draft rules proposed by DFI and OBRE did not include substantial reform and instead called only for mandated consumer education. The Institute prepared a critique of this draft and, together with other groups, met with Illinois Governor Ryan and convinced him to rewrite the regulations. When the proposal was released for public comment, the Institute endorsed it and worked aggressively to ensure that civic, religious, and local government organizations understood the importance of the regulations.

Woodstock participated in editorial board meetings with the *Chicago Tribune*, *Chicago Sun Times*, *Daily Herald*, and *Crain’s Chicago Business*. All resulted in editorials supporting the regulations. The Tribune actually published two supportive editorials. Institute staff played very prominent roles in all of these meetings.

Another key role Woodstock played concerning state policy was initiating and convening meetings to discuss state regulation. These meetings were between a number of key advocates on the issue and three large financial institutions: Harris, LaSalle, and Northern Trust banks. The three institutions ended up submitting a joint comment letter supporting the regulations. In addition, an officer from one of the banks is a leader of a major lender association. This officer testified in support of the regulations and submitted a letter essentially identical to that of the three banks.

In April of 2001, the Joint Committee on Administrative Rules (JCAR), a committee of six Democrats and six Republicans, voted 8-4 to

approve the regulations. The regulations define high-cost loans as those refinance or home equity loans with more than 5 percent in points and fees (including yield spread premiums and single premium credit life insurance) or with annual percentage rates above comparable Treasury rates plus 6 percent (above Treasury plus 8 percent for junior liens). Loans over these thresholds are *not* prohibited but are subject to consumer protections. For high-cost loans, the regulations:

- Limit the *financing* of more than 6 percent of the loan amount in up-front fees.
- Prohibit the packing of loans with financed single-premium credit life insurance.
- Require lenders to document that the borrower can repay the loan.
- Limit prepayment penalties that can trap borrowers in high-cost debt.
- Prohibit frequent refinancing, or flipping, that does not benefit borrowers.
- Prohibit short-term balloon payments that are used to compel repeated refinancing and are unnecessary in making these loans.

Improving Federal Lending Regulations

Also at the August Federal Reserve hearing, the Institute called for changes to Home Mortgage Disclosure Act (HMDA) regulations so that data on costs and loan terms could be reported in addition to the current information on loan amount and borrower demographics. These data are vital for assessing the nature and degree of predatory lending. In late 2000, the Board proposed collecting some of these data. The Institute was invited to draft comments on this proposal early by a number of leading national consumer groups so that they could use it in developing their own comments. The Institute was also invited to lead the discussion of HMDA changes in a meeting with two key Board

governors and a group of leading national consumer advocates.

Fighting Predatory Single-Premium Credit Life Insurance

In a major victory this last year in the fight against predatory lending, lenders Household International and Citigroup agreed in the face of intense pressure to stop selling single premium credit insurance with mortgage loans. This insurance was widely acknowledged as predatory, as it is financed into the loan and the borrower cannot cancel it; it slows the equity-building process; and while it is only good for about seven years, borrowers must pay it off for up to 30 years. The product can add 20 percent to the cost of a mortgage, making it especially difficult for seniors on fixed incomes to make payments. Many borrowers are duped into buying the product and don't even know that they have it.

Household is the largest subprime lender in the country and Citigroup recently purchased the maligned predatory lender the Associates. Woodstock Institute and its colleagues around the country engaged in extensive campaigns to get these lenders to stop predatory lending practices, including the sale of single premium credit insurance. Both lenders recently agreed to offer monthly insurance premiums instead, which may be cancelled at any time.

Bringing About Regulations to Reign in the Abusive Payday Loan Industry

Over the past few years, Woodstock Institute has worked with state legislators to debate Illinois policy changes to combat the practice of lenders issuing abusive predatory payday loans. Our main policy concerns with the payday loan industry are: rate regulation, industry reporting standards, multiple rollovers, and loan collection procedures. Woodstock remains heavily involved with a coalition of groups called the Campaign for Payday Loan Reform, which works to combat payday lending through policy recommendations and extensive public education.

In May 2001, the Illinois state legislature passed new restrictions on the payday loan industry in Illinois that will help curb some of the industry's worst abuses. The rules, proposed by Governor Ryan, went into effect in August of 2001. The restrictions include a \$400 cap on payday loans and a \$2,000 cap on auto title loans. There is a 15-day cooling-off period between loans and rollovers will be limited to two, provided the balance of the loan has been reduced by at least 20 percent.

The industry lobbied very aggressively against the rules and in the Fall of 2000 the Joint Committee on Administrative Rules voted to nullify them. A joint resolution by the General Assembly was required to solidify JCAR's action. Advocates, led by the Campaign for Payday Loan Reform, worked hard to support the rules. Legislators, led by Speaker Michael Madigan, killed the resolution by refusing to act on it, and the rules became law. Woodstock will continue to work through the Campaign to ensure the rules are enforced and to provide further input on necessary policy solutions to this problem.

Training Organizations on the New Illinois Predatory Lending Regulations

In September the Institute, together with a number of other Illinois nonprofits, sponsored a half-day seminar on the new Illinois Predatory Mortgage Lending Regulations, which went into effect in May and are among the toughest in the country. The focus of the workshop was to explain how the regulations work, how to determine whether a loan is predatory under the regulations, and what to do if a predatory loan is detected. The audience included more than 85 housing counselors, representatives of community development agencies, local government officials, and consumer advocates. The main presenter was Brenda Grauer of the Legal Assistance Foundation of Metropolitan Chicago, with help from Woodstock Institute staff and Neighborhood Housing Services of Chicago. Other sponsors included the Chicago Lawyers Committee for Civil Rights Under Law, the

Southwest Organizing Project, and American Association of Retired Persons (AARP). Regulations cannot be truly effective unless they are properly enforced, and it will be up to community groups to make sure this happens.

Utilizing CRA Organizing and Research to Discourage Bank Involvement in Predatory Practices

For several years, Woodstock Institute has organized a unique set of informal meetings between local senior representatives of the four federal banking regulatory agencies and members of the Chicago CRA Coalition Steering Committee. The Coalition is the only group in the country that meets with regulators on such a regular and unceremonious basis. During meetings over the past year, Woodstock engaged the regulators in lengthy discussions about the impact of predatory mortgage and payday lending and how regulators could evaluate these issues during CRA examinations or mergers.

Moreover, the Institute's President just completed a three-year term on the Consumer Advisory Council of the Federal Reserve Board. Predatory lending was a major item of discussion at Council meetings, and Woodstock's President brought forth all the issues that the Institute, the Chicago CRA Coalition, and other groups in the Chicago area were dealing with in relation to predatory lending with the hope of influencing policy decisions.

<h3><i>Identifying and Developing Alternatives to Predatory Mortgage and Consumer Loans</i></h3>

Offering Reasonably-priced, Short-Term Emergency Consumer Loans

This past year, Woodstock produced *Reinvestment Alert 16: Affordable Alternatives to Payday Loans: Examples from Community Development Credit Unions*. Our research showed that community development credit

unions (CDCUs) are beginning to provide low-cost, short-term consumers loans that rival payday loan operations.

Faith Community United Credit Union (FCU CU) in Cleveland and Louisiana-based ASI Federal Credit Union (ASI FCU) offer affordable alternatives to payday loans for their members. For instance, a six-week, \$200 loan from an Illinois payday lender would result in total charges of \$120. In contrast, the same loan from ASI Federal Credit Union's Stretch Plan is one-fifth of the cost, and the Grace Loan, which is offered Faith Community United Credit Union, saves consumers more than \$70.

These credit unions demonstrate that it is financially feasible to provide affordable payday loans without harming their safety and soundness. Of the 2,390 loans made by ASI FCU, only 43, or 1 percent, are delinquent, and 0.5 percent are in default. Faith Community has a similar record. Only four of its Grace Loans, or 1 percent of the total number of loans, are delinquent or in default. Moreover, the delinquency and default rates of these credit union payday loans are comparable to overall industry loan failure rates. In 1999, the loan delinquency rate for all credit union loans was 0.75 percent.

Woodstock organized several meetings with CDCUs in the Chicago area to assess their interest in offering the type of product described in *Reinvestment Alert 16*. The Institute will continue to organize such meetings in the future. Currently, Northside Community Federal Credit Union has agreed to work with the Institute on the development and implementation of such a product. The Services Task Force of the Chicago CRA Coalition will continue to meet with financial institutions to encourage the development of such products.

Creating Model Alternatives to Predatory Refinance Loans

In the past year, the Institute and the Housing Task Force of the Chicago CRA Coalition

developed a model product that could serve as an alternative to a predatory refinance loan. The product would address the worst of the abuses in the industry by capping interest rates and fees at reasonable levels; avoiding flipping or excessive refinancings with no benefit to the borrower; and banning the sale of single premium credit life insurance. Woodstock has identified a financial institution that is interested in developing such a product, and the Housing Task Force will meet with the bank to discuss implementation.

Monitoring Crucial Local CRA Agreements

During the past year, Woodstock Institute's staff have spent significant time analyzing lending data in order to monitor and evaluate the three current CRA agreements that the Chicago CRA Coalition has with Bank One, Charter One Bank, and Fifth Third Chicago. All of these agreements include goals for appropriate refinance lending levels (refinance lending is where the vast majority of predatory lending practices occur) for lower-income borrowers.

The Institute has provided data analysis and technical assistance on these issues, organized meetings between the banks and Steering Committee of the Coalition, and offered recommendations on how the banks could make better progress towards meeting the goals. Woodstock will continue this process—with these banks as well as others that the Coalition might want to evaluate.

Leading the Fight to Preserve CRA

Under the Clinton Administration in 1995, significant improvements were made to CRA regulations that made them more effective and outcome-based. At that time, regulators agreed to revisit these changes in 2002. In July 2001, the regulators issued an advanced notice of proposed rulemaking (ANPR) that laid out several questions about CRA and its implementation.

The public comment period for the ANPR ended in October and the agencies are now in the reviewing process. Woodstock Institute wrote very detailed comments and distributed sample letters to nonprofits locally and nationally. This process is vital to the CRA movement, as many financial institutions attempt to scale back some of the crucial improvements of 1995. Woodstock highlighted several issues relating to the regulation itself as well as the CRA examination process:

- The importance of maintaining emphasis on quantitative measures in exams so that CRA continues to be based on outcome rather than process.
- The primacy of the lending test and the need for examiners to evaluate the quality of an institution's lending to uncover predatory features.
- The essential nature of the three-test format of CRA exams that includes lending, investments, and services as separate tests.
- The problem with liberalizing the definition of "small bank" to exclude more institutions from thorough examination and the inadequacy of the current small bank performance standards.
- The necessity of revamping existing regulations on assessment areas. (Under CRA, banks are responsible for their service or "assessment" area, which generally consists of areas where they have branches or full-service ATMs). The current regulations are not sufficient in today's market of Internet, credit card, and telephone banking. Assessment areas must also include areas where the bank takes a significant portion of its deposits or makes a significant portion of its loans.

The significance of bank affiliates' lending practices, which should always be examined.

The need for additional data to enable the public to scrutinize banks' records. Small business data should mirror the Home Mortgage Disclosure Act (HMDA) and include applicants' race and gender. Institutions should also report data on the distribution of checking and savings accounts in lower-income neighborhoods.

Expanding Financial Literacy Efforts to Reduce the Effects of Predatory Financial Practices

Following the passage of the City of Chicago's Predatory lending ordinance in 2000, a Woodstock staff member joined the Advisory Council of the City's predatory lending education committee. This committee advised, developed, and helped to implement the City's SaveHome Campaign, which seeks to educate Chicagoans about the dangers of predatory mortgage lending and refer them to organizations that might assist them with a predatory lending problem.

The Campaign includes a telephone hotline, promotional materials, and a regular series of community meetings to discuss the issue. Woodstock was heavily involved in gathering the data, research, referrals, and resources necessary for this effort, which was officially rolled out in Spring of 2001. Woodstock's staff will continue to work with the City to evaluate the Campaign.

The Institute also 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. To date, over 3,000 checking and savings accounts have been opened in six Bank One branches located in low- to moderate-income communities. 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. The Institute encouraged the Bank to incorporate information on predatory mortgage and consumer lending into its financial literacy curriculum. In 2001, the Institute worked with the Bank to work out some issues with the program with the hope of significantly expanding ABP in the future.

In 2000-2001, the Institute worked with LaSalle Bank to create a comprehensive financial literacy program for lower-income families. Woodstock 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. The curriculum is available to community groups free of charge and includes a module on predatory mortgage and consumer lending. Woodstock worked to partner LaSalle with such Chicago-based groups as the Chicago Commons Employment Training Center, Centers for New Horizons, Deborah's Place, the Resurrection Project, and the Ginger Ridge Project in Calumet City.

Also, 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 co-operation with Coalition members and other community groups. Woodstock and members of the Services Task Force of the Chicago CRA Coalition met with Charter One and encouraged Bank staff to attend "train the trainer" courses on financial literacy programs. The Bank developed a curriculum and began to offer trainings to customers in 2001.

The 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. 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.

Furthermore, the Institute advised Financial Links for Low-Income People (FLLIP - a coalition of community organizations, social service providers, and government agencies of which Woodstock is a member) on developing a financial literacy module on predatory payday and mortgage lending for families moving from welfare to work. This comprehensive financial literacy curriculum now contains a detailed section on the pitfalls of predatory mortgage and consumer lending that is heavily based on the Institute's recommendations.

<p><i>Acknowledging Leaders in the Predatory Lending Fight</i></p>

In March 2001, Woodstock hosted its 16th annual Community Reinvestment Reception, where the Institute released the *1999 Community Lending Fact Book*, which details residential lending in Chicago's 77 community areas. At the reception, Woodstock issued an award for excellence in the field of community reinvestment to Martin Eakes, founder of the Center for Self-Help Credit Union in Durham, North Carolina. Mr. Eakes has been a leader in the national effort to curb predatory lending. His efforts helped lead to the first state anti-predatory lending statute in North Carolina.

The Institute also honored the Homeownership Preservation Project of the Legal Assistance Foundation of Chicago for their tireless work in aiding Chicago-area victims of predatory lending. Finally, long-time Board member Sandra Scheinfeld was recognized for her and her family's pivotal role in founding Woodstock Institute and for their continuing support.

Advising Nonprofits on How to Comply with the New CRA “Sunshine” Provisions of the Gramm-Leach-Bliley Financial Modernization Act

One of Woodstock’s historic roles involves studying and explaining complicated financial regulations to help community groups and others engage in vital community development work. In April 2001, the Institute hosted a very successful workshop for Chicago-area non-profits on how to comply with the new CRA “Sunshine” regulations of the Gramm-Leach-Bliley Financial Modernization Act (GLBA). “Sunshine” is the shorthand name for a GLBA provision that requires nonprofits and others to disclose and report to federal regulators on certain agreements, contracts, or grants that they have with banks.

At the workshop, Woodstock outlined for over 40 nonprofits what types of agreements are covered under “Sunshine;” what constitutes a “CRA communication” for the purposes of “Sunshine;” and how to disclose and produce annual reports for “Sunshine” agreements. The basic message was that, while “Sunshine” is an unnecessary and arbitrary regulation, complying with the provision is relatively easy. Due to the efforts of Woodstock and its many colleagues around the country, disclosure and reporting requirements are not too burdensome. The Institute released the presentation for public use and also produced *Reinvestment Alert 17: CRA Sunshine Rules and You: How Nonprofits Can Avoid Being Left in the Dark on New Disclosure and Reporting Requirements*. Woodstock continues to provide technical assistance on this regulation to nonprofits throughout the country.

Changing the Practices of Financial Institutions to Better Reflect the Needs of Low-Income Communities

In a victory for lower-income and minority residents and small businesses in the Chicago area, Firststar Bank, which is one of the largest banks in the region, reacted to Woodstock Institute’s concerns and in 2001 expanded its designated service area to include more lower-income neighborhoods in metropolitan Chicago.

Under CRA, banks must designate an “assessment area” based on the geographies where they do business. Banks are then responsible for providing loans, services, and investments in low-income sections of those areas. Regulations mandate that banks cannot arbitrarily exclude low or moderate-income census tracts or areas from their defined assessment areas.

Upon Firststar’s application to acquire US Bank in late 2000, Woodstock Institute filed a detailed comment with the Federal Reserve Board describing how Firststar Bank violated the letter and intent of the regulation in creating ten separate assessment areas within the Chicago region. Under its old definition, Firststar was only responsible for providing services in four low-income census tracts in the entire Chicago region, despite the fact that the Bank has 41 branches in the region, including in Chicago’s west side and southern suburbs.

The Institute felt that Firststar had created these assessment areas to avoid adequately serving low-income and minority neighborhoods. Woodstock research showed that Firststar’s market share for home purchase lending to low- and moderate-income borrowers was roughly half its market share to middle- and upper-income borrowers. Similarly, Firststar’s market share for home purchase lending to black borrowers was not even a third of its market share to whites.

In correspondence to the Federal Reserve Board regarding the Institute's concerns, Firststar stated that they would change their CRA assessment area to include all of 6-county metropolitan Chicago in early 2001. As the financial service industry changes, the significance of issues like assessment areas has an increasing impact on people's access to credit and capital. Woodstock feels that Federal regulators must pay attention to these concerns and ensure that banks are living up to their responsibilities and not shirking the law.

In a similar victory, in August the Woodstock Institute wrote to the Office of Thrift Supervision (OTS) to oppose the proposed acquisition of Mid Town Bancorp by MAF Bancorp, the parent company of MidAmerica Bank. Woodstock objected to MidAmerica's CRA assessment as well as its poor minority lending performance. The Bank, which is the third largest home lender in the region, includes only a portion of Cook County (where it has 26 branches) in its oddly-defined assessment area. This means the Bank is shirking CRA responsibility for the areas where it claims the most activity--fully 40 percent of its lending occurs outside of its assessment area. Woodstock suggested expanding the area to include Cook and DuPage counties. Moreover, Institute analysis showed that MidAmerica was performing very poorly in home purchase and refinance lending to African-Americans and Latinos.

In a letter to OTS, MidAmerica objected to Woodstock's claims, stating that they couldn't possibly serve a larger region (Woodstock pointed out that many smaller banks have significantly larger assessment areas). The Bank also "questioned the significance" of the information on lending to minorities. Woodstock has since issued a response to the OTS. In ensuing meetings with the OTS, the Institute discovered that the regulator intended to force the Bank to change its assessment area to include all of Cook, Will, Kane, and DuPage counties.

Uncovering the Predatory Practices of Tax Preparation Agencies

The Earned Income Tax Credit (EITC), a \$30 billion dollar a year federal tax break for low-income working people, lifts more poor families out of poverty than any other federal program. Yet in 2001, Woodstock found that tax preparers and participating banks in the Chicago area exploit EITC recipients by charging them exorbitant fees for getting their refunds a few days sooner.

Tax preparers, like giants Jackson Hewitt and H&R Block, offer customers Refund Anticipation Loans (RALs, also known as Electronic Refund Advances or ERAs) which get EITC recipients their tax refund within 48 hours rather than the roughly 10 days it would take if the customer filed electronically. What the customer might not be aware of is that a huge fee is being taken out of their refund for that service.

The way the RALs work is that a tax preparer prepares the tax return, files it electronically with the IRS and within a few days advances the amount of the refund minus the fees to the filer. The tax preparer has an arrangement with a bank that actually provides the advance, which is technically a loan. Many filers think they are getting a refund when in fact they are getting a very costly loan. Banks charge up to \$100 or more for the loan depending on the amount of the refund. In addition, average fees for tax preparation can be almost \$100. This does not include extra charges of \$30-50 for electronic filing. These charges vary based on the complexity of the return as well as the amount of the refund. The tax preparer also gets a kickback from the bank for every RAL it advances.

Institute research shows that RALs are akin to payday loans, which are illegal in many states and have been increasingly under fire in Illinois as usurious and abusive. Woodstock found that the cost cannot be justified by the risk to the participating companies because these are

virtually risk free loans. The IRS does a quick computer scan of the application to see that the social security number and the name match, and to see whether the filer has federal judgements outstanding. The participating lender gets this information *before* advancing the loan to the customer. Moreover, some banks will only advance half the anticipated refund to first-time RAL users, which means that they might not get the rest of their refund for a week or more. Major banks in the Chicago area are involved in this practice, and Woodstock recommends that Federal bank regulators start to downgrade the CRA grade of such institutions.

Documenting Small Business Lending Patterns in Low-Income and Minority Communities

In 2001, staff at the Institute authored “Redlining Redux: Black Neighborhoods, Black-Owned Firms, and the Regulatory Cold Shoulder,” *Urban Affairs Review* (forthcoming in 2002). The paper measures small business lending flows to neighborhoods in the Philadelphia metropolitan area. The results show that black neighborhoods receive far fewer loans after accounting for firm size, industrial mix, neighborhood income, and the credit quality of local firms. The findings suggest that federal bank regulators should expand small business lending data to include application and racial information, in part to help identify discriminating lenders. Also, CRA regulations should pay more attention to the distribution of small business loans by both race and income of neighborhood.

Moreover, a new report by the Brookings Institution Center on Urban and Metropolitan Policy identifies recent changes in small business lending with a particular focus on impacts on lower-income areas. Authored by Woodstock Institute staff, *Bigger, Faster...But Better? How Changes in the Financial Services Industry Affect Small Business Lending in Urban Areas* describes the effects of bank mergers, credit scoring, the increasing scale of small business lending

markets, and the changing role of nonbank financial institutions on credit delivery to small firms.

Some businesses in modest-income communities, especially those with strong, well-established credit, may actually see improvements in access to loans. However, many companies, particularly those with more marginal credit, are likely to see increasing problems. Overall, the net effect of these changes is likely to be a continuing disparity in access to credit between older, modest-income and newer, higher-income areas. The paper ends by discussing recommendations for policies and programs to improve credit access in lower-income communities. The paper can be obtained at www.brookings.edu/urban.

Analyzing Patterns of Gentrification in the Chicago Area

In 2001, the Institute released *Who's Buying Where? A Series on Home Buying and Neighborhood Change in the Chicago Area in the 1990s: Part I: Home Buying by Income, 1993-2000*. The report is based on an analysis of 1993 to 2000 home mortgage data and includes the following findings:

Home buying by all income groups in the metropolitan area increased. Low- and moderate-income home buying increased at a much faster rate than middle- and upper-income buying. In the city of Chicago, upper-income buying grew at a substantially faster rate than buying by other income groups. The majority of the increase in upper-income homebuyers in the metropolitan area occurred in the city.

The rate of increase in low- and moderate-income home buying exceeded that of middle-and upper-income buying in all five collar counties as well as suburban Cook County. The suburbs accounted for 76 percent of the increase in the metropolitan area's low- and moderate-income buying. The bulk of the increase in upper-income

home buying in the city of Chicago occurred on the city's North and Near Northwest Sides and in and around the Loop.

Large segments of the older-inner ring suburbs, especially in western and southern Cook County, are experiencing significant shifts to low- and moderate-income home buying, as are some of the farthest out suburbs in Kane, McHenry, and Lake Counties. The report featured policy recommendations on how to address these trends.

Assessing the Financial Services Needs of Public Housing Residents in Chicago

In 2001, the Institute produced a report for the Tellesis Corporation entitled *A Financial Services Assessment of the Near West Side of Chicago*. It examines the challenges that residents of the ABLA Homes public housing complex experience in accessing financial services. The assessment describes the demographic profile of the community, available financial services and mortgage trends, and the utilization of financial services by Near West Side residents.

Increasing access to mainstream financial services for Near West Side residents is a challenge that requires a multi-pronged approach. A description of the challenges to lifeline banking for lower-income consumers is followed by recommendations on expanding financial services and building community development resources:

- Increasing the number of mainstream bank and savings and loan branches in the area.
- Developing alternative checking and savings account products and utilizing innovative technologies that remove the barriers that lower-income consumers may face in accessing financial services.
- Improving financial management and literacy skills of the residents so that they can effectively maintain financial accounts.

- Utilizing alternative community-based financial institutions, including community development credit unions and loan funds.

Technical Assistance

Selected Technical Assistance in Chicago and the Surrounding Metropolitan Area

Bank One -- Organized a tour for community development staff to update them on community reinvestment project's on Chicago's south side.

Center for Impact Research -- Provided information on regulatory issues surrounding CRA assessment areas and the impacts of branch placement for the unbanked.

Center for New Horizons -- Advised on strategies to trace historic patterns of disinvestment in black neighborhoods.

Center for Urban Economic Development of the University of Illinois at Chicago -- Gave lending information on two Chicago communities for a research project.

Chicago Communities in Schools -- Provided background information and referrals about the Community Reinvestment Act and community development activism.

Chicago CRA Coalition -- In addition to staffing and convening the Coalition, arranged a meeting of Chicago-area community development credit unions to discuss the possibility of creating alternatives to payday loans.

Chicago Funders Project on Community Organizing -- Described the role of community organizing in the successful anti-predatory lending regulation campaign in Illinois.

Chicago Lawyers for Civil Rights Under Law - Provided large collection of research and policy

materials for attorney preparing amicus briefing on behalf of a number of Illinois organizations supporting the State of Illinois in its defense of the IL Predatory Lending Regulations against a suit by the Illinois Mortgage Brokers Association

Chicago Tribune -- Gave assistance and information to editorial board for its deliberations on Illinois Predatory Lending Regulations. Also provided extensive information and analysis on Chicago demographics, bank branches, currency exchanges, and home mortgage lending trends to aid in research on bank branches and CRA.

City of Chicago Department of Environment -- Gave a list of community development contacts at local banks for a conference on brownfields development.

City of Chicago Department of Housing -- Supplied a list of CRA contacts at local financial institutions. Also provided technical assistance on a variety of mortgage and housing issues.

City of Chicago Treasurer's Office -- Provided background information, contacts, and referrals on Refund Anticipation Loans for a financial education project.

City of North Chicago, IL -- Assisted in the development of an ordinance that prohibits the City from taking deposits from financial institutions with less-than-satisfactory CRA ratings.

The Honorable Danny Davis, Congressman, D-IL -- Provided background information on CRA and community development issues in Chicago and nationally.

Federal Reserve Bank of Chicago -- Compiled a list of CRA contacts at local financial institutions for an upcoming conference.

Financial Links for Low-Income People -- Assisted in the preparation of a request for proposals for IDA programs administered by the coalition.

The Honorable Luis Gutierrez, Congressman, D-IL -- Advised on the importance of expanding the features of the US Department of the Treasury Electronic Transfer Accounts to help account holders be a more integral part of the financial sector.

Illinois Campaign for Political Reform -- Gave detailed information on organizations supporting and opposing passage of predatory mortgage lending regulations for analysis of campaign contributions.

Illinois Facilities Fund -- Provided indepth discussion of future of CRA with senior staff. Discussed possible changes to regulations and context.

Interfaith Housing Center of the Northern Suburbs -- Gave information on the CRA ratings of local banks and referred to banks in the area with lifeline accounts.

Jewish Council on Urban Affairs -- Advised on how to begin to partner with banks on a financial literacy program in the Chicago community of West Town. Gave referrals, background information, and provided sample education materials.

Lake County Community Action Partnership - Provided information and referrals on model ordinances and statutes for limiting business involvement with banks to those institutions with high-quality CRA records.

Leadership Council for Metropolitan Open Communities -- Gave extensive assistance on the creation of predatory lending educational materials for a contract project for Cook County.

Legal Assistance Foundation of Chicago -- Provided extensive advice on how to found a community development credit union on Chicago's south side.

Local Initiatives Support Corporation -- Analyzed market share data for home mortgage lending for the City of Chicago. Also detailed

and explained the new anti-predatory lending regulations in Illinois.

The Honorable Michael J. Madigan (D-Chicago) -- Assisted Illinois Speaker of House's office on information regarding supporters of Illinois Predatory Lending Regulations. Gave office list of 80 organizations.

Metro Chicago Information Center -- Sent information on the details of the CRA regulation and explained what constitutes "community development" under CRA.

Metropolitan Planning Council -- Advised on how community development credit unions might become involved in programs to encourage employer-assisted housing.

Metropolitan Technology Foundation -- Offered advice and referrals on how to contact local banks on community reinvestment issues. Also sent information on the investment test CRA grades of pertinent local banks.

Neighborhood Housing Services of Chicago, Inc. -- Provided an interview focusing on community development trends in Chicago to assist in the creation of a comprehensive strategic planning process for the organization.

North Shore Park District -- Aided in the creation of an investment policy that prohibits the District from taking deposits from financial institutions with less-than-satisfactory CRA ratings.

North Side Community Federal Credit Union - -- Participated in a strategic planning process focusing on marketing and long-term goals for the credit union.

Ravenswood Community Council -- Gave detailed information on bank lending and services in the Ravenswood neighborhood.

The Honorable Bobby Rush, Congressman, D-IL -- Assisted in the development of federal legislation to curb payday lending abuses. Also

provided input on the Illinois anti-predatory lending regulations and possible future federal actions on the issue.

The Honorable Jan Schakowsky, Congresswoman, D-IL -- Gave detailed advice, suggestions, and referrals for the drafting of a federal bill to curb predatory lending.

Shorebank -- Provided a list of local and national community development contacts at major banks of interest to the company. Also discussed the possibility of creating alternatives to payday loans and advised on opportunities to provide technical assistance to CDFIs.

South Austin Coalition -- Provided detailed analysis of lending patterns in the Austin community.

Southeast Chicago Development Commission - -- Analyzed home purchase lending data for the South Chicago Neighborhood, including an analysis of subprime lending in the area. Provided a draft of a housing information survey to assist in the development of a questionnaire.

Southwest Organizing Project -- Continual assistance with effort to reduce predatory lending in community areas. Advised on proposed mortgage broker licensing legislation. Gave advice on policy initiative by major financial institution. Provided technical support in effort to promote state policy to reduce predatory lending.

St. Anthony's Bank -- Analyzed home mortgage lending data for the City of Cicero and gave assistance on how to interpret the data.

Teen Living -- Explained CRA and its role in community reinvestment. Described how CRA investments work and offered advice about how the organization could use CRA.

The Resurrection Project -- Provided information on home mortgage lending trends in three Chicago communities.

Uptown Community Development Corporation -- Compiled small business and home mortgage lending data for the Uptown community in Chicago. Also provided referrals for additional information on Uptown business demographics.

Woods Fund of Chicago -- Assisted in collecting data for monitoring the Illinois State government's activities.

WTTW Channel 11 -- Provided producer with detailed information on Chicago area housing market, including data on home purchases during 1990s.

Selected National and International Technical Assistance

California Reinvestment Committee, San Francisco, CA -- Provided an interview with a consultant to assist in a strategic planning process for the organization. Also served on an advisory committee for a study on predatory lending in five California cities and advised on conducting research on predatory lending.

Chase Morgan Bank, New York, NY -- Aided in developing criteria to prevent predatory lending practices at the bank.

Coalition of Community Development Financial Institutions, Philadelphia, PA -- Advised on how to comply with the new CRA "Sunshine" regulations of the Gramm Leach-Bliley Financial Modernization Act.

Community Development Venture Capital Alliance, New York, NY -- Explained the process of the Advanced Notice of Proposed Rulemaking on CRA, helped to strategize on a letter-writing campaign and gave referrals.

Federal Reserve Bank of Boston, Boston, MA -- Provided extensive technical assistance on CRA assessment areas, Internet banking, insurance companies, and banking and lending market share ratios.

Ford Foundation, New York, NY -- Gave information on opportunities for credit unions to serve low-income people.

Illinois State Treasurer Judy Barr Topinka -- Offered information and comments on the design of the new Home Loan Collateral Fund.

Institute for Politics and Organizing, New York, NY -- Gave referrals and information on sample CRA ordinances and referendums to help formulate a policy to encourage government controllers to be more creative on economic development issues.

Joint Center for Housing Studies of Harvard University, Cambridge, MA -- Met with staff to discuss the impacts of the Community Reinvestment Act for a national study. Gave background information on CRA agreements, policy development and organizing, and the impact of CRA.

Metro Housing Coalition of Louisville, Louisville, Kentucky -- Provided resources to help develop strategies to fight predatory lending practices.

Missouri Department of Economic Development, Minority Business Division, St. Louis, MO -- Referred to resources and organizations that could assist in an economic feasibility analysis for a minority-owned grocery store in the St. Louis area.

National Association of Affordable Housing Lenders, Washington, DC -- Participated in conversations on how advocates and lenders could find common ground on the predatory lending issue.

National Consumer Law Center, Boston, MA - - Participated in session organized by the Center with members of the Federal Reserve Board as expert in HMDA regulations and proposed changes. Provided draft HMDA comments for Center and others to use in development of comments.

Near Eastside Community Federal Credit Union, Indianapolis, IN -- Gave assistance on strategies for raising non-member deposits from banks.

Neighborhood Housing Services of Los Angeles, Inc., Los Angeles, CA -- Advised on how to comply with the new CRA “Sun-shine” regulations of the Gramm-Leach Bliley Financial Modernization Act.

Neighborhood Housing Services of Oklahoma City, Inc., Oklahoma City, OK -- Advised on how to comply with the new CRA “Sunshine” regulations of the Gramm-Leach-Bliley Act.

New Economics Foundation, London, UK -- Participated in the development of a collaboration between North America and the European Union to maintain incentives and subsidies for community development finance. Gave extensive information on the latest developments of the CDFI and CRA movements in the U.S.

Office of the Comptroller of the Currency, Washington, DC -- Provided early input on key issues for the 2002 CRA regulatory review and advised on restraints on national bank payday loan contracts.

One London, London, UK -- Explained how community development loan funds work in the U.S to aid in an effort to possibly develop similar funds in the UK.

PolicyLink, San Francisco, CA -- Gave advice on strategies to integrate financial services into housing development programs.

Rockford Museum, Rockford, IL -- Advised on whether or not investments and loans made to the museum (which is located in and surrounded by low-income census tracts) can be deemed to have a community development purpose under CRA.

Rural Housing Institute, Davenport, IA -- Offered arguments against the contract-buying of homes in the Davenport area.

Self Help Credit Union, Durham, NC -- Assisted in efforts to gather information on activities of major financial institution. Also helped interpret HMDA data and prepare comments on HMDA regulations.

Tax Center Federal Tax Online, Washington, DC -- Provided information on the Earned Income Tax Credit and Refund Anticipation Loans, including bank involvement in such lending practices.

The Reinvestment Fund, Philadelphia, PA -- Served on an advisory committee for a study on predatory lending practices in Philadelphia.

United Kingdom Department of the Treasury, London, UK -- Gave an update on the CRA and CDFI industries in the United States as part of a collaborative effort to increase community development finance in both continents.

Vermont Community Development Credit Union, Burlington, VT -- Outlined models for predatory mortgage and payday lending regulations.

West New York Law Center, Rochester, NY -- Outlined the impact of bank support for predatory lending regulations in Illinois to assist in the preparation of a meeting on an anti-predatory lending bill in New York.

Presentations

January

“A Cook County Predatory Lending Ordinance,” Testimony before the Cook County Board of Commissioners, Chicago, IL.

February

“Illinois Predatory Lending Regulations,” Testimony before the Illinois Department of

Financial Institutions and the Office of Banks and Real Estate, Chicago, IL.

March

“HMDA and HOEPA Reform,” Annual Conference of the National Community Reinvestment Coalition, Washington, DC.

“Fannie Mae and Freddie Mac: Their Role in the Housing System,” Annual Conference of the National Community Reinvestment Coalition, Washington, DC.

“The Role of Community Development Finance in Reviving Urban Areas,” Midwestern Fulbright Students Annual Conference, Chicago, IL.

April

“CRA ‘Sunshine’ Rules and You: How Nonprofits Can Avoid Being Left in the Dark on New Disclosure and Reporting Requirements,” Woodstock Institute CRA “Sunshine” Workshop, Chicago, IL.

“Predatory Lending in Illinois,” Keynote Speech, Annual Meeting of the South Sub-urban Housing Center, Lansing, IL. Also recipient of Fair Housing Award.

“Recommendations for Proposed Changes to the Home Mortgage Disclosure Act (HMDA) and the Home Ownership Equity Protection Act (HOEPA),” Meeting between Board of Governors of the Federal Reserve and leading national consumer advocates, Washington, DC.

May

“Developing Affordable Alternatives to Payday Loans,” National Community Investment Fund Conference, New Orleans, LA.

“Neighborhood Small Businesses and Community Development,” Milwaukee Small Business Conference, Milwaukee, WI.

June

“Publishing Your Research,” Making Media Connections Conference of the Community Media Workshop, Chicago, IL.

“Predatory Mortgage and Consumer Lending: Implications and Solutions,” National Federation of Community Development Credit Unions Conference, New Orleans, LA.

July

“Celebrating a Victory Over Predatory Lending in our Neighborhoods,” Southwest Organizing Project, Chicago, IL. Woodstock Institute staffer received award for his work in predatory lending struggle.

“How Do We Decipher Credit Scores? What Do They Say About Us?” Breakfast forum Sponsored by LaSalle Bank and Woodstock Institute, Chicago, IL.

August

“Protecting Your Community from Predatory Lending,” Forum sponsored by Community Economic Development Association of Cook County, Chicago Heights, IL.

September

“Training on the Illinois Predatory Mortgage Lending Regulations,” Co-Sponsored by Woodstock Institute, Chicago, IL.

November

“CRA and Small Business Lending,” Association of Public Policy Analysis and Management Annual Research Conference, Washington, DC.

“Community Reinvestment and Employment Opportunities in Low-Income Neighborhoods,” Meeting of the United Kingdom Regional Employment Directors, Federal Reserve Bank of Chicago, IL.

“Understanding Patterns of Discrimination and Disparate Treatment in Lending and Insurance Products,” Urban Insurance Partnership Annual Meeting, Chicago, IL.

“The Roles of Research and Advocacy in Reducing Predatory Lending,” Meeting of the Board of the Wieboldt Foundation, 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, City of Chicago Anti-Predatory Lending Education Campaign -- Focus group for the City of Chicago’s campaign to highlight abusive lending practices and discourage predatory lending in Chicago.

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

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

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

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, Chicago Council on Urban Affairs -- Research and policy organization that works on issues of poverty, race, and juvenile justice.

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

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

Convenor, Chicago CRA Coalition -- The 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.

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 -- The Trust oversees city and other funds to improve housing for very low-income people.

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

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

Member, Illinois Insurance Collaborative -- The Collaborative is seeking 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, Small Enterprise Capital Access Steering Committee, Federal Reserve Bank of Chicago -- A public-private partnership seeking to promote access to capital and credit for small businesses in the Chicago area.

Member, State Agenda for Economic Development -- Task force on promoting 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, 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 for Illinois' welfare-to-work initiatives.

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