

WOODSTOCK INSTITUTE 2002 ACCOMPLISHMENTS

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Introduction

During the past year, Woodstock Institute has experienced many exciting opportunities and faced many challenges as well. As we near our 30th anniversary, we realize the importance of focusing our efforts on financial institutions that are not covered by the Community Reinvestment Act (CRA), especially as these firms take on added significance under the Gramm-Leach-Bliley Financial Modernization Act of 1999. Insurance corporations, securities firms, and mortgage companies are increasingly offering bank-like services, even though they are not covered by CRA.

Moreover, the Institute, a longtime supporter of community development financial institutions, including credit unions, is dismayed that many regular credit unions are not living up to their historic mission to serve people of modest means. We believe that CRA and other consumer protection laws should be extended to all financial institutions that provide banking services.

After the landmark successes of the passage of strong anti-predatory mortgage lending and payday lending regulations in Illinois, the Institute and its colleagues have spent the last year working hard to ensure that the regulations are properly enforced. These laws are crucial to the maintenance of vital communities, especially as recent Woodstock research shows that diverse neighborhoods are rare in large metropolitan areas like Chicago. Predatory mortgage and consumer lending disproportionately affect low-income and minority areas, thus reducing the successful efforts of decades of community development work in such areas.

Of course, the Institute continues to focus on the importance of federal legislation and regulation, such as the Community Reinvestment Act, the Home Mortgage Disclosure Act, and the Home Ownership Equity Protection Act. These laws and regulations make our work and the work of our colleagues possible by making lending information available to the public.

Woodstock Institute has been in existence now for almost three decades, and we remain true to our original mission. The Institute will continue to collaborate with its many colleagues around the country and the world to make sure that all communities, regardless of income or racial makeup, have access to fairly priced mainstream financial services.

Analyzing the Credit Union Movement

Uncovering the Reality of Credit Unions' Service to Low-Income People

This year, Woodstock Institute released a first-of-its kind analytical study of how well credit unions serve low-income people. *Rhetoric and Reality: An Analysis of Mainstream Credit Unions' Record of Serving Low-Income People* refutes the credit union movement's claim that it meets the savings and credit needs of "persons of modest means."

Because credit unions are not subject to CRA and are not required to report information on their services in the same way as banks, this type of detailed study has never before been conducted. The report analyzes data from surveys of roughly 3,000 respondents in the Chicago six-county metropolitan area. Credit unions provide important benefits to members. The report questions the extent to which these benefits are available to lower-income consumers and calls on the credit union movement to step up to the challenge of serving lower-income populations.

Major findings in this report include:

- Credit unions in the six-county Chicago region serve much lower percentages of lower-income households than they do middle- and upper-income households.
- Both banks and credit unions are much less likely to serve lower-income households with basic banking services than other income groups.

- Belonging to a labor union almost doubles the odds of belonging to a credit union.
- The larger an employee's firm, the greater that person's chance of being a credit union member.

The report incorporates policy recommendations for the credit union movement, including:

- Congress should amend the Federal Credit Union Act to insert language that more clearly states credit unions' mission and duty to serve low-income people. The amendment should include mandatory, publicly available data disclosure about whom credit unions serve by income and race.
- The National Credit Union Administration should conduct regular examinations of credit unions for compliance with the mandate to serve low-income people and impose appropriate incentives and sanctions.
- The Community Reinvestment Act should be amended to include credit unions.
- Mainstream credit unions with high percentages of low-income people in their membership should encourage other credit unions to follow their example by publicizing their record and practices.

Prior to this study, mainstream credit unions claimed exemplary service to lower-income families. Woodstock's report changed that rhetoric in the sense that now many credit unions are saying they are *unable* to service such families, despite highly liberalized field of membership rules and the fact that credit unions are mandated to serve persons of modest means. This past year, the Institute's President spoke on the topic at the National Federation of Community Development Credit Unions Conference, the National Community Reinvestment Coalition annual conference, and with members of the National Credit Union Administration.

Studying the Impact of Secondary Capital Investments on Low-Income Credit Unions

The Institute conducted another report on a subset of credit unions this year: *Critical Capital: How Secondary Capital Investments Help Low-Income Credit Unions Hit Their Stride*, documents an investment product for low-income credit unions (LICUs). LICUs tend to be smaller and experience greater challenges maintaining adequate capitalization than mainstream credit unions or banks. In response, in 1996 the National Credit Union Administration (NCUA) approved a regulation that allows LICUs to increase their capital by accepting secondary capital investments.

Secondary capital investments improve the capital ratio of LICUs and promote institutional growth, lending, and stability. The investments increase the capacity of LICUs to meet the financial service needs of low-income and underserved groups. The first secondary capital investment was made in 1997. By 2000, there were 25 LICUs with such investments.

Critical Capital assesses how these investments impact key financial ratios of LICUs. Four LICUs with secondary capital investments in place for at least three years are profiled. Alternatives Federal Credit Union, Episcopal Community Federal Credit Union, Near Eastside Community Federal Credit union, and Saguache County Credit Union represent some of the best practices of the secondary capital investment program. The report concludes with a discussion of the benefits and challenges of secondary capital investments and several policy recommendations.

Combating Predatory Mortgage Lending

Developing Responsible Alternatives to Predatory Refinance Loans

In the last year, Woodstock Institute and the Chicago CRA Coalition Housing Task Force worked on developing a responsible refinance

loan model for borrowers with credit history problems. The product was designed to be an alternative to predatory subprime loans that are commonplace in the marketplace, especially in lower-income and minority communities. Features of the product include:

- No more than 2-3 percent of the loan in origination points and fees.
- True, risk-based pricing required in any increased interest rates, with rates not to exceed the conventional, Fannie Mae rate plus 250 basis points.
- No single-premium credit insurance, prepayment penalties, balloon payments, mandatory arbitration, or other abusive terms.

After examining statistics on the volume of refinance lending of the top lenders in the region, Woodstock identified a few banks as likely candidates to approach for interest in offering a product similar to the model. The bank that the Institute and Coalition chose to work with is interested in pursuing a product that could be purchased by the government-sponsored secondary market firm Freddie Mac.

Therefore, Woodstock has initiated discussions with Freddie Mac to convince them to modify one or two of their products to meet the targeted need. The Institute has worked to pull together the bank, Freddie Mac, and the Task Force to try to flesh out a product.

Advocating to Enforce the Illinois State Predatory Lending Regulations

During the last year, the Institute initiated regular meetings between state mortgage lending regulators (the Illinois Department of Financial Institutions and Office of Banks and Real Estate) and community/consumer groups to discuss enforcement of the new Illinois predatory lending regulations. These meetings started two months after the regulations went into effect in May 2001 and have continued regularly into this year. Topics discussed at such meetings include how regulators are responding to mortgage

complaints and how examinations of lenders under the regulations are proceeding.

Woodstock and other consumer groups have identified 25 major lenders that are of concern and possibly in violation of the regulations and obtained a commitment from the regulators to examine five of these over a three-month period.

The Institute took the lead on preparing a memo and press release from consumer and community groups describing problems with implementation of the regulations. The memorandum was aimed at policymakers and received significant press coverage.

The Institute also continued to monitor the activities of large lenders for possible predatory lending activity. For example, staff met with Citigroup in January 2002 to discuss the Bank's progress on lending reforms since acquiring the subprime operations of the Associates, Inc.

Moreover, Woodstock prepared policy memos on the predatory lending problem in Illinois for United States Representative Rod Blagojevich's and Attorney General Jim Ryan's gubernatorial campaigns. The Institute will follow up with the Governor's office on these policy briefs once Governor Blagojevich takes office in January 2003.

Fighting Predatory Consumer Lenders

Collaborating with National Groups to Combat Bank-Payday Lender Partnerships

This year, the Institute, the Community Reinvestment Association of North Carolina (Durham, NC), and the California Reinvestment Committee (San Francisco, CA) announced an initiative to stop out-of-state banks from renting their charters to payday lenders to preempt state consumer protection laws. The efforts of these organizations were buoyed by a suit filed by North Carolina Attorney General, Roy Cooper, against Goleta National Bank, which partnered with a payday lender to offer predatory payday loans in that state.

Woodstock was particularly involved in actions against Chicago-area Brickyard Bank. This bank partnered with Check n' Go of Ohio to make payday loans in 57 branches across North Carolina, where such loans are illegal. Woodstock requested that the Illinois Office of Banks and Real Estate establish a public comment period for any further bank-payday lender partnerships and recommended that such partnerships, which allow payday lenders to circumvent state laws, be outlawed.

In April of this year, Woodstock participated in a demonstration outside of Brickyard's branch to protest this practice. The Institute organized protesters from throughout the Chicago area and joined community leaders from Ohio and North Carolina outside of the Bank. Woodstock also organized a comment letter campaign to federal regulators against the payday lending practices of Brookings Bank of South Dakota on similar grounds.

Woodstock wrote to the Federal Deposit Insurance Corporation (FDIC), Brickyard Bank's regulator, to encourage the agency to follow the Office of the Comptroller of the Currency's (OCC) leadership on the issue. In January of 2002, OCC ordered Eagle Bank of Pennsylvania to end all payday lending, in part because of the Bank's intent to circumvent state laws. Eagle Bank is affiliated with Express Money Service, based in Fayetteville, and provides payday loans out of 30 branches in North Carolina. Express will have to close its doors or find another bank partner. The Institute also wrote to Illinois Attorney General, Jim Ryan, to encourage him to contact the FDIC regarding the situation with Brickyard Bank and payday lending.

In September, Woodstock and its allies celebrated a major victory when Brickyard Bank, pressured by the Federal Deposit Insurance Corporation and the Illinois Office of Banks and Real Estate, announced it would stop providing payday loans by the end of 2002.

Moreover, in July of this year, Woodstock organized the Chicago CRA Coalition and other groups around the country in a comment-letter

campaign to protest the proposed acquisition of Bank of Kenney, IL, by Check n' Go, a notorious payday lender. This merger would enable the company to completely bypass state payday lending regulations by turning a payday loan operation into a bank. The Federal Reserve Bank of Chicago received 50 comment letters on this merger, more than on any other merger since 1997. A significant number of those letters were from members of the Chicago CRA Coalition, instigated by the Institute's organizing drive.

Working to Strengthen the Illinois Regulations to Combat Payday Lending

The Institute was instrumental in winning the passage of regulations to curtail the worst of the payday lending industry's abuses in 2001. The next steps that were necessary to protect consumers against this harmful industry included advocacy to strengthen the new regulations as well as implementation of the rules. Woodstock is a founding member of the Monsignor John Egan Campaign for Payday Loan Reform, a coalition of groups which has been extremely active in working to improve the regulations and monitor their enforcement.

This year, Woodstock provided the Illinois Department of Financial Institutions (the regulatory agency that covers payday loan companies) with recommendations for developing a database of payday and installment loan customers that would enable groups and individuals to keep track of industry abuses. This database was one of the provisions included in the state regulations. The Institute's recommendations include:

- The Illinois Department of Financial Institution (DFI) should require the inclusion of the following information in the database: the customer's name, address, gender, driver's license number, social security number, bank, amount of the transaction, date of the transaction, and the date the transaction is to be paid.
- The aggregate information in the database should be made available to consumer

groups and community organizations so that they may analyze payday lending patterns.

- DFI should conduct a demographic study of payday and installment loan customers in Illinois.

Woodstock and the Monsignor John Egan Campaign for Payday Loan Reform also worked to develop a State bill that would address installment loans and the high interest rate. The current payday loan regulations are for loans that are 30 days or less. Installment loans have terms of 31 days or more. Also, Illinois has no cap on interest rates. Currently, the average interest rate that payday lenders charge in Illinois is 560 percent, the highest in the country. If passed the Illinois Affordable Loan Act, HB 5575, would limit the interest and fees that payday licensees can charge consumers for loans regulated by the Consumer Loan Installation Act. The Institute continues to advocate for the passage of this bill. In addition, Woodstock prepared policy memos on the payday lending problem in Illinois for Representative Rod Blagojevich's and Attorney General Jim Ryan's gubernatorial campaigns.

Commenting on Proposed Consumer Finance Regulations

Providing Recommendations to Federal Regulators on Proposed Changes to HMDA and AMTPA

In 2002, Woodstock was one of the groups around the country that took the lead in proposing strategies to the Federal Reserve that would strengthen the Home Mortgage Disclosure Act (HMDA). The Federal Reserve had proposed certain changes to HMDA that Woodstock thought should be strengthened. The Institute urged the Board to reconsider its proposal to require the reporting of price information for only high interest rate loans.

Woodstock felt that pricing data should be reported for all loans in order to improve the ability of all parties, including regulatory

agencies, to identify potential discrimination and enforce fair lending laws. In the absence of such a change in the proposal, the Institute recommended requiring pricing data on all loans with annual percentage rates (APRs) at and above 200 basis points over comparable treasuries. In addition, the Institute noted that lenders should be required to ask for race and gender applications for telephone applications. Woodstock also supported the Federal Reserve's proposal to require lending institutions to report lien status for all loans and applications.

As a result of this advocacy by Woodstock and other groups, the Federal Reserve recently decided that it would release interest rate spread data on loans that are more than 3 percent above treasuries. There is a new requirement that lenders designate on their HMDA reports which of their originated loans are high cost loans, subject to the provisions of the Home Ownership Equity Protection Act (HOEPA). The Federal Reserve estimates that this will require lenders to report on some 98 percent of subprime loans that are first liens, and 95 percent of subprime loans that are junior liens. Virtually, all prime loans would be exempt from reporting on pricing. This data will be collected beginning in 2003.

Also this year, the Office of Thrift Supervision (OTS) opened a comment period related to proposed changes in the Alternative Mortgage Transaction Parity Act (AMTPA). Woodstock wrote to OTS in support of the proposed changes. Over the years, AMTPA regulations have facilitated the proliferation of prepayment penalties and late fees in predatory loans.

The Institute objected to the use of AMTPA to allow state-chartered institutions the ability to offer adjustable rate mortgages (ARMs) and other alternative mortgages without being subject to state laws prohibiting certain practices. In 1996, the OTS made a decision that allowed institutions to use federal law to preempt state limits regarding prepayment penalties and late fees on alternative mortgages. This has significantly contributed to the dramatic increase in predatory lending of the last few years. State-chartered mortgage companies

applied prepayment penalties to about 80 percent of subprime borrowers, compared to only 2 percent of prime borrowers. Prepayment penalties often trap subprime borrowers into abusive loans.

Woodstock applauded OTS for proposing to use its discretionary authority to remove prepayment penalties and late fees as permitted features in regulations for alternative mortgages issued by state-chartered institutions. Woodstock also supported OTS' recommendations that state-chartered institutions and housing creditors be required to indicate to state supervisory bodies that they are taking advantage of AMTPA's preemption authority. OTS ultimately approved these changes to AMTPA, thanks in part to advocacy by groups like Woodstock, who have seen the devastating impacts of predatory lending on our communities.

Educating the Public about Attempts to Erode Consumer Protections in Illinois

In 2002, Bank One, the largest bank chartered in Illinois, attempted to get state legislators to pass a bill that would have exempted the Bank from the Illinois Interest Act as well as a host of other consumer regulations. In response, the Independent Bankers Association pushed a bill that would exempt *all* banks based in Illinois from a variety of regulations.

Woodstock worked hard to educate and inform consumer and community groups as well as state policymakers about these bills and their potentially devastating impact on Illinois consumers. The Institute was particularly concerned that such legislation would not only nullify the recent victories against predatory mortgage and consumer lending, but that all financial regulation in Illinois could be hampered by these industry-led efforts. Woodstock issued action alerts and press releases around this issue to increase awareness.

Uncovering Patterns of Diversity in the Chicago Area

In 2002, the Institute expanded on *Who's Buying Where: A Series on Home Buying and Neighborhood Change in the Chicago Area in the 1990s*: In 2001, the Institute released *Part I: Home Buying by Income, 1993-2000*. The report was based on an analysis of 1993 to 2000 home mortgage data and analyzed patterns of gentrification in the Chicago region.

This year, the Institute released *Part II: Diversity in Home Buying is Increasingly Common, but Stable Diversity Remains a Challenge*. The report examines the extent to which neighborhoods in the Chicago area achieved and maintained levels of income and racial diversity in home buying during the 1990s.

The report finds that, in the region, the portion of buyers who were low- and moderate-income (LMI) increased significantly, leading to increasing income diversity in many suburbs. In the city, income diversity was less prevalent, but there were significant concentrations of tracts where buyers were either predominantly upper-income or LMI. There were few stable, income-diverse tracts in the region.

Additionally, the proportion of buyers who were nonwhite increased significantly from 1993 to 2000--Hispanics and Asians accounted for most of this increase. All six counties contained at least some areas of modestly diverse home buying. Again, Hispanic and Asian home buyers drove most of this diversity.

Some city and suburban neighborhoods exhibited racial diversity and significant levels of African-American home buying. In the city's North and Near Northwest sides, home buying became significantly more white, while the Southwest side experienced considerable increases in minority home buying. Even more than in the case of income diversity, most racially diverse tracts tend not to be very stable,

meaning they are not likely to remain racially diverse over time.

Engaging in Research and Advocacy for Community Development Financial Institutions and Community Development Banks

Working to Maintain Funding for the Community Development Financial Institutions (CDFI) Fund

The Institute and its colleagues around the nation worked hard this year to advocate for an increase in the dismal budget for the CDFI Fund. The \$68 million allocation contained in President Bush's proposed FY 2003 budget was a \$12 million drop from FY 2002 levels and a \$50 million drop from FY 2001 levels. The Fund is a critical program that has leveraged billions of dollars of private investment into low-wealth urban and rural communities. Woodstock contacted legislators to encourage them to support a FY 2003 allotment of \$125 million for the Fund. The FY 2003 appropriation that was approved at \$80 million was a significant improvement over the \$68 million that President Bush wanted and the \$73 million suggested by the Senate. The maintenance of the Fund at current levels in the existing political climate was largely due to advocacy efforts by Woodstock and other groups, who will continue to advocate for increases in the Fund in the future.

Researching the Growth of Community Development Banks

This year, the Institute completed a project that analyzed the community development banking field. Community development (CD) banks are comprehensive financial institutions serving economically distressed communities. While regulated in the same way as traditional financial institutions, a community development bank goes beyond the traditional bank's mission of providing credit and financial services—its primary mission is to positively impact

community development and spur renewal in a targeted community.

Only a handful of CD banks existed 20 years ago. Today there are 39 CDFI certified banks. This year the Institute produced *Reinvestment Alert 18: Doing Well While Doing Good: The Growth of Community Development Banking 1992-2001*, which tracks the growth and performance of these banks. Data on assets, liabilities, and performance ratios were analyzed using 1992, 1996 and 2001 as benchmarks. Findings of the report include:

- Although the majority of CD banks are quite small, as the industry matures more banks move into larger asset categories.
- Deposit and lending volume increased steadily over the report period.
- CD banks have adequate core capital and equity capital ratios.
- At the beginning of the report period, CD banks struggled with profitability. However, return on assets increased significantly in the period of 1996-2001. Return on equity (another measure of profitability) grew throughout the period.
- CD banks exhibit adequate net interest margins and are becoming more adept at managing their operating expenses.

The study concludes that in order to maintain these improvements in the community development banking industry, the Community Development Financial Institutions Fund will have to be adequately funded. The CDFI Fund is a vital source of support to CD banks. Also, investments and grants from mainstream banks to CD banks, which are currently covered under CRA examinations, must be maintained and expanded.

Convening the Chicago CRA Coalition and Monitoring CRA Agreements and Examinations

For many years, Woodstock has convened the Chicago Community Reinvestment Act (CRA) Coalition, which is comprised of dozens of community-based and other nonprofits that are dedicated to promoting community reinvestment in low-income areas. The Coalition has expanded significantly in recent years and now includes representatives from many suburban and downstate communities. The Institute organizes, staffs, and provides technical assistance for the Coalition. This year, the Coalition had many exciting successes.

After a series of intense negotiations, in 2002, the Institute led the Chicago CRA Coalition in updating the goals of its 1999 CRA agreement with Charter One Bank, including:

- A goal to make market share levels for home purchase lending to low- and moderate-income people commiserate with levels for middle- and upper-income people in 2002.
- An agreement to increase market share of home purchase lending to African-Americans over the next few years vis-a-vis market share of lending to whites.

Moreover, in response to concerns raised by the Institute this year, National City Bank agreed to amend its CRA assessment area to include all of Cook County. Woodstock formally commented on the Bank's exclusion of low-income tracts, including much of the City of Chicago, from its assessment area.

Additionally, Institute staff spent significant time analyzing lending data in order to monitor and evaluate all of the CRA Coalition's current CRA agreements. These include agreements with Bank One, Charter One Bank, and Fifth Third Chicago. Woodstock provided extensive data analysis, 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

and other banks that the Coalition might want to evaluate.

One of the main roles of Woodstock is to analyze and disseminate information about specific banks' CRA performance. In 2002, the Institute utilized this role to analyze, comment on, and distribute information relating to the CRA performance of various financial institutions. Our colleagues around the country rely on our expertise in this field in order to monitor specific and general trends related to community reinvestment. Examples of this work follow:

State Farm Bank, FSB

One of the main roles of Woodstock is to analyze and disseminate information about specific banks' CRA performance. This year, the Office of Thrift Supervision (OTS) began the CRA examination of State Farm Bank, a thrift created by one of the largest insurance companies in the U.S. Woodstock asked the OTS to downgrade the Bank's CRA rating and significantly expand its CRA assessment area. State Farm Bank, which operates in 48 states and has assets of \$3 billion, operates under an assessment area limited to Bloomington-Normal, IL. Bank business is conducted by insurance agents in their offices or over the phone or Internet.

An Institute analysis of the Bank's recent mortgage lending shows very low levels of lending to African-Americans in a multi-state region and extremely low levels of lending to low- and moderate-income people in the Bank's own limited assessment area. These facts raise major fair lending concerns and are disturbing in light of the Bank's poor performance in communities suffering from predatory lending. Woodstock has frequently petitioned the regulatory agencies to update their definition of CRA assessment areas in light of contemporary banking practices. The Institute disseminated its comment letter to groups around the country and organized other nonprofits around the issue of this important examination.

MidAmerica Bank (MAF Bancorp)

Woodstock experienced a significant victory related to its suggestions for increased fair lending enforcement this year. In August 2001, the Institute protested MAF Bancorp's (parent company of MidAmerica Bank) proposed acquisition of Midtown Bancorp in Chicago because of MAF Bancorp's poor performance in lending to minorities and for its discriminatory CRA assessment area. In August 2002, the Bank announced that the U.S. Department of Justice was investigating it for fair lending violations, as suggested by Woodstock in correspondence to the Office of Thrift Supervision last year. This is a rare occurrence, despite the increasing need for such federal enforcement of fair lending laws.

In 2001, MidAmerica Bank was the third largest home lender in the Chicago region and the ninth largest Illinois-based bank by asset size. The Bank's oddly-defined assessment area was in direct violation of the CRA regulation and excluded most low-income and minority communities. The Bank conducted 40 percent of its lending outside of its assessment area and made only a fraction of the effort in lending to African-Americans and Latinos that it did in lending to whites. Woodstock's success in achieving this fair lending investigation received significant attention around the country.

Netbank

In October 2002, Woodstock submitted comments to the Office of Thrift Supervision on the CRA examination of Netbank. Netbank is currently the largest Internet-based bank in the nation. The Institute commended the Bank for expanding their CRA assessment area to include 11 states in their entirety but maintained that banks should include in their CRA assessment areas all counties or market service areas (MSAs) in which the bank holds 0.05 percent of the market share. Woodstock also commented that the Bank's numeric goals for lending seemed inadequate based on the Bank's recent performance and raised questions about possible predatory features of some of the institution's lending practices. Woodstock also commented

on the need for expanded goals in the areas of financial services and investments.

Banco Popular, North America

In October, the Federal Reserve Bank of Chicago asked the Institute to provide comments on the CRA performance of Banco Popular North America in the Chicago region for a CRA examination. Woodstock's comments centered on the Bank's apparent decision to begin to pull out of the mortgage market. Upon analyzing the Bank's lending record in the region in 2001, Woodstock found that Banco Popular's distribution and level of small business, multifamily and home improvement loans were adequate in relation to low- and moderate-income as well as African-American and Latino borrowers in Illinois.

However, Woodstock was seriously concerned about Banco's invisibility in the home purchase and refinance lending markets. Banco Popular offered a critique of the Institute's comments, which prompted us to write further comments to the Federal Reserve. The Bank stated that they were doing mortgage lending through an entity known as Banco Popular N.A. (data on this lender were not publicly available this year and therefore Woodstock could not analyze this lender's activity) and Equity One, which is a major subprime lender.

Woodstock would like to see borrowers in these areas receiving fairly priced loans from a prime lender like Banco Popular North America, not receiving high-priced, possibly predatory loans from a firm like Equity One. There is evidence that Equity One is a predatory lender. Regardless, Equity One is not doing much home purchase and refinance lending in the Illinois market—it is making a very small number of possibly very high-priced loans. The regulatory agencies are currently considering the Institute's comments on Netbank, State Farm, and Banco Popular, all of which were circulated and disseminated among Woodstock's peers locally and nationally to encourage them to comment on these important matters.

Fostering Partnerships between CRA Advocates and Bank Regulators

For several years, Woodstock 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. Meeting topics for 2002 included bank rental charter agreements and fair lending examinations. The Institute and Coalition use these meetings to better understand how complex banking regulations and examinations work in order to create more productive partnerships with local financial institutions.

Expanding the Community Lending Fact Book to Cover Suburban Areas

The 17th edition of Woodstock Institute's *Community Lending Fact Book* was released this past April. It provides Chicago area residential lending data for 2000 that can be used by neighborhood residents, community groups, policymakers, and lenders to monitor reinvestment activity throughout the region.

New in the 2000 *Community Lending Fact Book* is the inclusion of lending data for suburban Chicago in addition to the City's 77 community areas. The suburbs are broken into regions comprised of DuPage, Kane, Lake, McHenry, and Will Counties in their entirety and five sub-regions of suburban Cook County: North, Northwest, West, Southwest, and South Cook.

For the first time, in 2002, users were able to access *Fact Book* data on the Institute's website. Users can simply point and click on a map of the Chicago region in order to view lending data on their community area.

Improving Financial Services for Low-Income Families

Expanding Community-Bank Partnerships

The Institute has expanded on its partnerships with banks to increase access to bank accounts and financial literacy programs for low-income families. Woodstock continued to hold regular meetings between the Services Task Force of the Chicago CRA Coalition and representatives of LaSalle, Fifth Third, Charter One and Harris Banks on financial literacy programs that the Institute and Coalition helped the banks develop. Woodstock initiated meetings with Cole Taylor Bank and Citibank to begin to develop relationships surrounding financial literacy programs and basic banking services. Moreover, the landmark Alternative Banking Program that Woodstock created with Bank One will soon be expanded to include a seventh location in Bronzeville.

Surveying Chicago-Area Banks on Basic Account Services

In the Summer of 2002, Woodstock surveyed 75 Chicago area banks to learn about their lowest cost checking account product(s). The survey asked banks to provide information on account opening requirements, fees, and account features. Twenty-seven banks responded with information on 30 checking account products. The results of this survey may underestimate the obstacles that lower-income people may face in opening checking accounts at Chicago financial institutions. However, it appears that there is a wide range of affordable checking account products being offered in the Chicago region. Account features that are explored include:

- **Minimum opening deposit:** A majority of the banks surveyed mandate a deposit of at least \$100—which is prohibitive for many lower-income consumers.
- **Monthly Service Fees:** Most of the banks surveyed charge monthly service fees of less than \$4.00 per month. Over half offer free checking account products.

- **Minimum Balance:** Almost all of the banks surveyed had low minimum balance requirements, which is positive for low-income consumers.
- **Credit Checks:** Almost half of the financial institutions in this survey require a credit check. Most also investigate whether the applicant owes money to other banks.
- **Forms of identification:** Most banks require a Drivers License, State ID or passport as primary identification. Some banks are developing more flexible policies.
- **Access:** Only two banks charge a fee for teller visits. Most banks allow unlimited ATM transactions at no cost at their ATMs. All of the banks offer direct deposit of paychecks or public benefits. Most of those surveyed also offer Bank at Work and Internet and Phone Banking services. Most have multi-lingual tellers and also provide bank materials in several languages.

Advocating for Changes in the Refund Anticipation Loan (RAL) Business

Woodstock has also organized a subset of the Services Task Force of the Chicago CRA Coalition to work with Bank One to reassess its involvement in the refund anticipation loan (RAL) business. Bank One provides 10 percent of the RALs in the nation. RALs are loans against an individual's federal tax return that supposedly get the money to that individual faster than a normal return. But many recipients are not aware that a huge fee is being taken out of their refund. These loans are especially disastrous for low-income recipients of the earned income tax credit (EITC), who are hurt financially when they sacrifice a large portion of their refund in fees. Woodstock would like to see Bank One and others providing low-income and unbanked consumers with low-cost asset-building services rather than products like RALs.

Developing International Collaborations on Community Development and Development Finance

For many years, Woodstock Institute has worked with its sister organization in London, the New Economics Foundation, to make connections with similar groups in a number of European countries on issues of community reinvestment. In 2002, Woodstock placed an emphasis on the U.S. and European Economic Commission regulation of development finance.

Starting in 2001, Woodstock developed links in Brazil with nonprofits, banks, and government officials concerned about the condition of children in the favelas (slums) of the large cities, especially Rio de Janeiro. Woodstock's contribution is to help bring a community economic development focus to work that had previously concentrated on human and social development.

This year, in addition to continuing that work, Woodstock collaborated with Brazilian and U.S. colleagues on a report on how international organizations such as the World Bank, the InterAmerican Development Bank, UNICEF, and the International Labor Organization set their children and family agendas in Latin America. The Institute's staff also co-authored several papers with Brazilian and U.S. colleagues on the effects of globalization on low-income families and children in developing countries.

Technical Assistance

Technical Assistance in the Chicago Area and Illinois

AARP--Provided information on the top prime and subprime lenders in the Chicago area.

Access Living--Sent a list of CRA and compliance officers in the Chicago area for a recruitment campaign for a financial literacy project.

Attorney General Jim Ryan (R-IL)--Prepared issue briefs on lifeline bank accounts, predatory mortgage, and payday lending for use in the Attorney General's gubernatorial campaign.

Banco Popular--Gave advice on how to establish an affordable alternative to a payday loan.

Breakthrough Urban Ministries--Offered assistance, advice, and referrals for agency seeking to obtain information on CRA grants and investments in the Chicago area.

Center for Economic Progress--Advised the Center on the availability and use of affordable retail bank account products.

Chase Hunter Group--Provided advice, analysis and referrals on a specific bank in the Chicago area to aid in a project that aims to improve banks' community outreach programs.

Chicago Coalition for the Homeless--Sent information on sources of funding for affordable housing development in the Chicago region.

Chicago Corporation on Supportive Housing --Advised on how to obtain grants and investments for CRA-related projects.

Chicago Mutual Housing Network--Presented information on CRA examinations, advocacy, and organizing to staff.

Chicago Tribune--Gave extensive and detailed assistance and information on racial segregation in Chicago.

Chicago Video Project--Provided information and referrals on the issue of housing discrimination in Chicago.

City of Zion--Collaborated with the City on establishing a CRA investment policy related to the use of City funds.

Civic Committee of the Commercial Club of Chicago--Advised on how to interpret CRA small business lending data for analyses of lending flows in the Chicago area.

Financial Links for Low-Income People--Advised the coalition on the response to a request for proposals for financial literacy training.

Good Jobs Illinois--Provided extensive advice on a research study of economic development incentives and their use in Illinois.

Governor Rod Blagojevich (D-IL)--Prepared issue briefs on lifeline bank accounts, predatory mortgage and payday lending for use in the gubernatorial campaign.

Hispanic Housing Development Corporation--Analyzed HMDA and census data to discern the volume of FHA/VA loans provided in the Logan Square, Humboldt Park, and Austin areas of Chicago for a project concerning foreclosure rates in these neighborhoods.

Hotel Employees and Restaurant Employees Union Local One--Gave information and referrals on transportation and traffic impact studies in the Chicago area.

Humboldt Park Development Corporation--Provided information on low-cost financial services in the Chicago area for the sake of comparison.

Illinois CDFI Coalition--Helped the new Coalition plan a forum for electoral candidates to illicit support for the Illinois CDFI campaign.

Illinois State Treasurer--Commented on the Treasurer's proposal to create development banking districts and recommended targeting low-income areas for these districts.

John D. and Catherine T. MacArthur Foundation--Participated in a seminar to discuss ways to measure the neighborhood impacts of community development projects.

John Egan Campaign for Payday Loan Reform--Worked to design database to enforce new payday lending regulations. Coordinated meeting between the Campaign and the Federal Deposit Insurance Corporation. Wrote a memo explaining interest rate exportation, relationships between payday lenders and banks, and impacts.

Lakeview Action Coalition--Consulted with the Coalition on the possibility of developing a new coalition of nonprofit groups in the Chicago area. Also provided feedback on the activities of First Bank of the Americas.

Little Village Community Development Corporation--Met with staff to discuss strategies on obtaining grants and investments for community development projects.

Metro Chicago Information Center--Gave advice on how to market a training session on community development financial institution demographic analysis.

Metropolitan Family Services--Gave extensive information about the unbanked population in the Chicago area and provided details about low-cost checking account products in the region. Also evaluated the agency's First Account pilot program to bank unbanked families.

National Center on Poverty Law--Assisted with an analysis of the Illinois State Treasurer's proposed legislation to encourage banks to build branches in low-income and underserved areas.

National Community Investment Fund--Provided advice to the fund on affordable retail banking accounts for lower-income consumers.

National Training and Information Center--Worked to develop a new data agenda for regular review board meetings with local banks.

Near Northwest Neighborhood Network--Gave a workshop on the history and current practice of HMDA analysis and CRA organizing.

Neighborhood Capital Budget Group--Analyzed data and presented information on the community reinvestment record of State Farm Bank. Also gave advice on a project to analyze homeownership diversity and stability.

Neighborhood Housing Services of Chicago, Inc.--Gave information on how to measure foreclosure rates due to predatory mortgage loans in Chicago. Analyzed lending data for select Chicago neighborhoods over a period of years.

Next Realty--Provided a list of CRA contacts at Chicago-area banks for economic development projects in the city.

Office of Banks and Real Estate--Met with the regulator to discuss issues surrounding bank charter rentals to payday loan companies.

On Our Own--Sent information on construction financing for affordable multifamily and single family housing in Chicago's north shore.

Pan American Bank--Referred the bank to potential community group partners for financial literacy programs in low-income areas.

People for Community Recovery--Discussed strategies for creating a new community development financial institution on Chicago's South Side.

Philippines Development Bank--Facilitated a discussion about the history of community development banking in the United States,

Rebirth of Englewood Corporation--Advised extensively on how to start a community credit union and gave referrals.

Representative Janice Schakowsky (D-IL)--Worked with the Congresswoman on a letter to

the Federal Deposit Insurance Corporation Chairman on payday lender-bank partnerships.

Roosevelt University--Assisted with a study of the Community Development Financial Institutions (CDFI) Fund and a survey of the impact of CDFIs in Illinois.

Shorebank Advisory Services--Worked with staff to identify best practices to bank people in underserved communities. Discussed ways to explore the financial sustainability of different practices and gave advice on making Freedom of Information Act (FOIA) requests.

Southwest Organizing Project--Met with the new Executive Director to discuss predatory mortgage and payday lending issues and policies.

Statewide Housing Action Coalition--Provided information on the payday loan industry for a regional conference.

Village of Maywood--Analyzed home purchase, refinance, home improvement and multi-family lending data for the village for 2001 and sent information on CRA contacts at major local banks.

Women's Self-Employment Project--Worked with the Project on the possibility of developing a consumer loan product that would be an alternative to a payday loan. Also advised on the development of a new institute for community development practitioners and social entrepreneurs.

Woods Fund of Chicago--Met with staff to discuss the history and current practice of community development credit unions in Chicago.

Technical Assistance in the United States and Around the World

Association of Community Organizations for Reform Now (ACORN), New York, NY--Went over strategies on how to include and set goals for financial services in CRA agreements with banks.

Brazilian Institute for Social and Economic Analysis (IBASE), Rio De Janeiro, Brazil--Provided extensive information on community development finance in the United States and how lessons could be extrapolated to the Brazilian experience.

Brody and Weiser, Boston, MA--Led a discussion about different strategies and programs for providing affordable housing in Chicago

California Reinvestment Committee, San Francisco, CA--Provided detailed input and advice on a study of subprime mortgage lending in California.

Center for Research on Housing, Washington, DC--Provided extensive assistance in evaluating the neighborhood impacts of HOPE VI mixed-income housing development strategies.

Centre d'Etude de Documentation et d'Observation sur les Villes, Paris, France--Gave extensive information on the progress of the Chicago Empowerment Zone and financing for affordable housing in the United States.

Check Into Cash, Cleveland, TN--Advised on how to develop financial literacy programs for lower-income families.

Check Spring, New York, NY--Gave information on check cashing fees to assist in a partnership the firm was creating with nonprofits in the New York area to provide affordable banking services.

Childwatch International Study Group, Washington, DC--Provided an overview of the role of international aid organizations in community development movements.

Cloves Capital, New York, NY--Discussed background, history, and social costs of the payday lending industry for a contract project.

Community Scotland, Glasgow, Scotland--Provided a synopsis of community reinvestment activities in the United States.

Consumer Federation of America, Washington, DC--Sent information on affordable alternatives to payday loans and provided advice on researching the effects of payday lending.

Fielding Graduate Institute, Santa Barbara, CA--Provided assistance on a research project focusing on minority entrepreneurship.

French Embassy, Washington, DC--Outlined the history of community development banking in the United States for an economic research group.

Good Jobs First, Washington, DC--Gave detailed advice on a study of economic development incentives and their use.

Housing Research Foundation, Washington, DC--Compiled data and ran reports on small business lending patterns in multiple cities in the United States by census tract.

Instituto Brasileiro de Ciencias Empresariais and Sociedade de Credito ao Micro-empendedor, Rio De Janeiro, Brazil--Provided extensive background information on the history and progress of the economic development movement in the United States and its impact on low-income communities.

Instituto Ethos, Sao Paulo, Brazil--Gave a presentation on corporate responsibility in the financial sector in the United States and how the issue relates to CRA activity.

Los Angeles Times, Los Angeles, CA--Provided information on financial services in low-income areas and branch distribution in neighborhoods by income for a story on banking in Los Angeles.

National Credit Union Administration, Washington, DC--Gave a report on the empirical record of credit unions' service to low-income people for a policy discussion.

National Credit Union Foundation, Madison, WI--Discussed issues confronting community development credit unions with the Foundation staff in detail.

New Economics Foundation, London, UK--Provided assistance on a project the Foundation was conducting with Barclay's Bank for voluntary data disclosure of services to lower-income communities.

One Economy, New York, NY--Gave extensive information and referrals on financial literacy programs and resources in the Chicago area for a program that uses technology to help low-income people enter the financial mainstream.

Race Relations Council of Southwestern Michigan, Benton Harbor-St. Joseph, MI--Compiled and analyzed HMDA data for the Benton Harbor-St. Joseph area and gave recommendations for a lending data project.

Register-Times, Munster, IN--Discussed lending disparity issues, highlighted the predatory lending problem in the Midwest, and provided recommendations to deal with these concerns.

Retention Consulting, Baltimore, MD--Gave information on the unbanked population, financial literacy efforts, and community-bank partnerships.

Senator Paul Sarbanes, Baltimore, MD--Made recommendations on the use and interpretation of a General Accounting Office study on credit unions that the Senator had commissioned.

United States Department of Justice, Washington, DC--Provided information on the number and nature of community development banks in the United States and provided referrals for additional information about community development banks.

United States Department of the Treasury, Washington, DC--Described the limits of voluntary agreements in stemming the predatory lending problem and discussed regulatory and legislative remedies to the problem.

University of Michigan, Ann Arbor, MI--Explained how to conduct HMDA analyses and provided mortgage lending data for Michigan for a graduate studies program.

Presentations

January

“Predatory Lending: One Community’s Response,” Biennial Training Institute of the Coalition of CDFIs, Washington, DC.

“Changes in Financial Services and Lending to Firms in Underserved Markets,” Biennial Training Institute of the Coalition of CDFIs, Washington, DC.

“CDFIs and the Community Reinvestment Act,” Biennial Training Institute of the Coalition of CDFIs, Washington, DC.

February

“Analyzing Small Business Lending Patterns: Issues and Examples,” National Community Reinvestment Coalition Conference, Washington, DC.

“The Role of Non-CRA Lenders in Community Reinvestment,” National Community Reinvestment Coalition Conference, Washington, DC.

“Citizen Impact on the Federal Reserve Board’s Responsibility for Consumer Legislation,” Financial Markets Center’s Atlantic Banking Conference, Baltimore, MD.

March

“The Community Reinvestment Act and the New Markets Tax Credit,” Meeting of the Program Related Investments Committee of the John D. and Catherine T. MacArthur Foundation, Chicago, IL.

“Was There Stable Diversity in Home Buying in the 1990s?” Urban Affairs Association Annual Meeting, Boston, MA.

April

“Racial and Income Diversity in the Suburbs,” Diversity, Inc. Monthly Board Meeting, Hazelcrest, IL.

May

“Bringing the Unbanked Into the Financial Mainstream,” Testimony, U.S. Senate Committee on Banking, Housing, and Urban Affairs, Hearing on the Unbanked, Washington, DC.

June

“Credit Unions’ Record of Serving Lower-Income People,” Annual Meeting of the National Federation of Community Development Credit Unions, Indianapolis, IN.

“The Problems and Opportunities of Community Development Finance in the U.S.,” Associação Comercial do Rio de Janeiro, Rio de Janeiro, Brazil.

July

“CRA 101,” Presentation to Near Northwest Neighborhood Network, Chicago, IL.

August

“CRA Advocacy and an Introduction to Understanding the CRA Examination Process,” Presentation to the Chicago Mutual Housing Network and the Near Northwest Neighborhood Network, Chicago, IL.

October

“CRA Advocacy and Action: Understanding CRA Examinations and How They Can Help You Increase Investment in Your Community,” presentation to the Investment Task Force of the Chicago CRA Coalition, Chicago, IL.

“Regular Credit Unions’ Record of Service to Low-Income People,” Presentation to the Associated Colleges of the Midwest Urban Studies Program, Chicago, IL.

“The Pressing Need for Basic Financial Services in Underserved Communities,” Meeting of the Donors Forum, Chicago, IL.

“Community Reinvestment and Community Development,” Presentation to the Ford Foundation County Directors, Santa Rosa, CA.

November

“CRA Examinations 101,” Presentation to the Chicago CRA Coalition, Chicago, IL.

December

“Regular Credit Unions’ Record of Serving Low-Income People,” Annual Meeting of the Credit Union Executive Society, Miami, FL.

Collaborations and Memberships

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, MoneySmart Chicago--A coalition of community organizations, banks and regulators working to establish and improve upon financial literacy efforts in the Chicago area.

Advisory Group, Woods Fund of Chicago--The group works to advise the Fund on the direction of its Strategic Plan.

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

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 Area Fair Housing Alliance--Coalition of nonprofit and government organizations working to promote fair housing in the Chicago region.

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, International Center for the Study of Children and Youth, Rio de Janeiro, Brazil--The Center engages in research and policy analysis to improve the condition of poor children in Brazil and other countries.

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

Board Secretary and Steering Committee Member, Coalition of Community Development Financial Institutions--The Coalition is a national group that consists of CDFI officials as well as community representatives.

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 between 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, Governor's Task Force on Financial Literacy--A consortium of financial literacy experts working to evaluate and improve financial literacy programs in Illinois.

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 Low-Income Housing Coalition--Works to end America's affordable housing crisis through education, organizing and advocacy.

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

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, 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.

Steering Committee Member, National Stop Predatory Lending Initiative--A national coalition of research and policy organizations working to put a stop to predatory mortgage lending through effective federal policy.