



New Document Sets Strong Goals for Chase, Preserves Influence of CRA

Chicago CRA Coalition has set a historic precedent, negotiating six-year reinvestment goals with New York-based JP Morgan Chase. Chase finalized its merger with the Chicago-based Bank One in July and has refused to negotiate reinvestment goals in any of its other markets.

Just after the merger was announced JP Morgan Chase executives unveiled an \$800 billion national community reinvestment pledge. Like other national pledges, Chase's offered a huge dollar amount but few concrete details. Instead, Woodstock Institute, which convenes the Chicago CRA Coalition, pushed the bank to make a commitment to the Chicago region spelled out in terms of new loans, investments or financial services that benefit low-income and minority families.

With Chicago's long history of community reinvestment organizing and mounting pressure from local and regional leaders, Chase committed to articulating a local reinvestment plan. It contains measurable goals for the Chicago region which will be monitored

by the Coalition through ongoing meetings with the management of the new merged bank.

The new Memorandum challenges the merged bank to be a leader in home mortgage and small business lending to

the Chicago region's underserved communities. The bank will also work to reduce neighborhood foreclosures, increase its community development grants and investments, and open 12

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Woodstock Honors Chicago Reinvestment Champion

Woodstock Institute celebrates the release of the 2002 Community Lending Fact Book with a reception and awards ceremony. Woodstock Board Member Mary Nelson (right), founder and president of Bethel New Life, accepts the Community Reinvestment Award from Board Chairperson Charles Hill Sr. (left) at the reception for her lifelong dedication to community development.

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Woodstock to Host Community Reinvestment Conference in Brazil

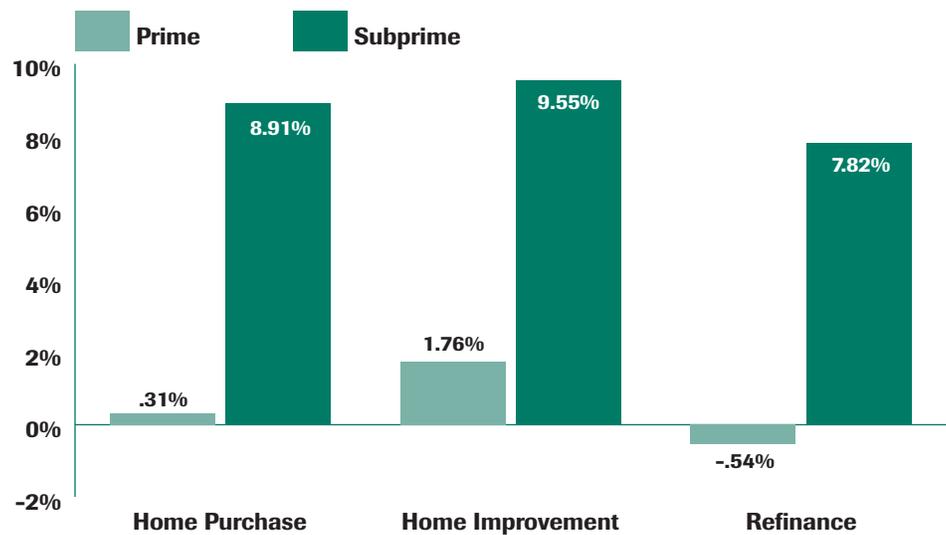
A joint project by Woodstock Institute and Brazil's Institute for Studies on Work and Society (IETS) will analyze community reinvestment activity in countries around the world and invite representatives to a forum in Rio de Janeiro to discuss best practices.

In an effort to build financial assets in low-income and rural areas, Brazil now requires banks to offer low-cost loans and bank accounts.

Brazil follows the United States and at least six other countries in these types of banking requirements or incentives. Even more countries are considering new legislation that requires banks to invest in the communities where they locate. As these requirements and incentives are adopted, countries with high levels of financial exclusion hope to see increases in new bank products and services.

Other conference partners include the U.S. National Community Reinvestment Coalition and the International Center for Research and Policy on Childhood in Rio.

Expected 2002 Foreclosures per 100 Loans from 1996 to 2001 by Type of Lender and Purpose of Loan



New Woodstock Study Finds Subprime Loans Lead to Neighborhood Foreclosures

Woodstock Institute recently released *Risky Business: An Econometric Analysis of the Relationship Between Subprime Lending and Neighborhood Foreclosures*, a report which quantifies the relationship between skyrocketing neighborhood foreclosure levels in Chicago and subprime lending in preceding years. It shows that after controlling for changes in neighborhood economic and demographic conditions, subprime lending was the dominant factor behind increasing neighborhood foreclosure levels.

For example, the figure above shows that a

tract with 100 more owner-occupied prime refinance loans from 1996 to 2001 is expected to have 0.5 fewer foreclosures in 2002. Conversely, a tract with 100 additional subprime refinance loans can be expected to have almost eight additional foreclosures. The report warns that the economic, social, and emotional costs of foreclosure accrue not just to individual homeowners, but also to modest-income neighborhoods fighting for success and stability and cities struggling to provide public services and balance budget deficits.

For the full text of the report see www.woodstockinst.org.

Chase Goals

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new bank branches in low- or moderate-income communities by 2005.

The Chicago CRA Coalition heralded the agreement but stressed that the bank should negotiate agreements throughout its market area—not just in Chicago.

By some estimates, these community-based agreements have sparked over \$1.1 trillion in new investment since the passage of the Community Reinvestment Act in 1977. As large banks continue to announce vague national reinvestment commitments, Woodstock Institute and the Chicago CRA Coalition believe that agreements like this one are critical to the future relevance of community reinvestment work.

Woodstock Meets with Comptroller of the Currency Officials on CRA

To protect their reputations, many national banks use subsidiaries to make subprime loans or to unfairly target minority communities. Woodstock Institute believes that both of these issues should have a place in a bank's public CRA record.

To step up the pressure on federal bank regulators, Woodstock Institute staff met with Julie Williams, Chief Counsel at the Office of the Comptroller of the Currency (OCC).

The OCC committed to strengthen enforcement of new anti-predatory lending regulation

and more effectively examine subsidiaries of banks, allowing communities to see which banks are really doing business in their area. However, the OCC maintains that banks are under no obligation to consider communities of color when doing business. Under the Community Reinvestment Act (CRA), banks are only required to look at their ability to serve low-income areas.

Woodstock Institute will continue to push this issue at its ongoing meetings with national and local bank regulators.

Regulators Break Ranks on 'Small' Bank Definition in CRA

Unable or unwilling to reach an agreement with fellow bank regulators, the Office of Thrift Supervision (OTS) raised the asset threshold for thrifts subject to the large bank CRA examination from \$250 million to \$1 billion.

Banks with less than \$1 billion in assets are now only subject to a cursory "small" bank test. The Federal Deposit Insurance Corporation (FDIC), which will vote on this issue in September, is expected to follow suit, while the Federal Reserve Board and the Office of the Comptroller of the Currency oppose these changes. Disagreement among regulators is rare, and this decision sets a dangerous precedent as bankers and regulators continue their attack on fair and effective implementation of CRA.

Small institutions are subject to streamlined CRA examinations that look at the distribution of lending, but do not consider levels of community development-related investments or bank services. Additionally, small banks are not required to report small business lending data.

In some states, banks in the \$250 million to \$1 billion category account for a significant portion of assets in low-income and rural communities. In Wisconsin, for exam-

Once these institutions become reclassified as small banks they will no longer be examined and given credit for their investments in affordable housing, for developing innovative financial services products that reach the unbanked, or expanding their branch networks into underserved communities.

ple, the number of banks that would no longer be examined comprehensively for their activity in lower-income neighborhoods under the OTS action and the FDIC proposal would decline by almost half. Once these institutions become reclassified as small banks they will no longer be examined and given credit for their investments in affordable housing, for developing innovative financial services products that reach the unbanked, or expanding their branch networks into underserved communities.

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Woodstock Institute Welcomes New Staff

Tom Feltner has joined Woodstock as the Communications and Development Associate. He recently completed a Masters of Urban Planning and Policy from the University of Illinois at Chicago (UIC) and has researched foreign reinvestment policy, payday lending, and the refund anticipation loan industry. Tim Westrich also joins Woodstock from the UIC Urban Planning program and will work as a research assistant during the academic year.

Woodstock Welcomes Two New Board Members

Woodstock Institute is pleased to have two new Board members. Gail Schechter is Executive Director of the Interfaith Housing Center of the Northern suburbs. She has over 19 years of experience in fair housing advocacy, tenant organizing, and public policy development.

We also welcome Ada Skyles, Chief Operating Officer at the University of Chicago's Chapin Hall Center for Children. Currently, she is spearheading several research projects on the relationships between children and their communities.

Welcome to Gail and Ada!

Broad Support for New Payday Lending Laws

Payday lenders in Illinois continue to exploit a loophole in current regulations, leaving high-cost, predatory consumer loans essentially unregulated and available in nearly every disadvantaged community in the Chicago region.

With the support of the Illinois Speaker of the House and the Illinois Attorney General, Woodstock and the Monsignor Egan Campaign for Payday Loan Reform launched several rounds of negotiations with payday loan industry representatives that may result in the

introduction of a consensus bill during the fall Illinois General Assembly veto session. Woodstock and the Egan Campaign also met with bank regulators to discuss the possibility of expanded regulation to cover new payday lending industry products, including high cost installment loans.

For a summary of Woodstock Institute's policy platform, see *Reinvestment Alert 25: New Terms for Payday Loans: High Cost Lenders Change Loan Terms to Evade Illinois Consumer Protections* at www.woodstockinst.org.

Visit Woodstock's Virtual Home

Browse the internet and you'll find lots of community development resources. Browsers can log in to <http://www.woodstockinst.org> to find out more about the Institute's activities, staff, and publications. There is also a page of useful links to other community development organizations, federal banking regulators, and sources of HMDA and other data. The site also features a form to request information.

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