Introduction

This year, Woodstock Institute celebrated 30 years of action and advocacy on behalf of lower-income and minority communities in need of financial services. In 1973, visionaries Sylvia and Aaron Scheinfeld saw the need for an organization dedicated to bringing economic resources to low-income and minority communities and families. Through their family foundation, they created the Woodstock Center in rural Illinois. Woodstock Institute was formed as the Center's program arm, with the mission to "explore and pursue the most effective strategies for dealing with discriminatory housing and investment policies in the Chicago metropolitan area." Thus Woodstock Institute was born and soon became an independent "think and do" tank operating locally, nationally, and internationally.

Over the last 30 years, Woodstock has been a crucial force on such issues as increasing the homeownership rate among low- and moderate-income people and in fighting against predatory financial services such as payday and home mortgage loans. Citing a particular example, Institute Board member Ed Jacob said, "Woodstock has not only been instrumental in advocating for reasonable regulation of the payday loan industry in Illinois, but the Institute has played an important role in creating alternative payday loan products for families in need."

The Institute's first President and current Woodstock Board member Larry Rosser explains: "I'm proud to have been associated with this non-partisan Institute that has been mission-driven to use its considerable intellectual ability to analyze how capital and credit are allocated for the good and ill of ordinary citizens. While the Institute's work is designed to benefit low- and moderate-income people, it also has strengthened, in my judgment, this country's financial institutions by opening their eyes to the profitability of serving these neglected consumers."

The November 2003 event celebrating the 30th anniversary featured an exemplary panel, including Joe Brooks of Policy Link, formerly with the San Francisco Foundation and the Emergency Land Fund of Atlanta; Jeremy Nowak, CEO of The Reinvestment Fund of Delaware Valley and longtime innovator in the CDFI industry; and Ellen Seidman, Managing Partner of Shorebank Advisory Services and former Director of the Office of Thrift Supervision. A group of local and national community development leaders, including Jesus Garcia of the Little Village Community Development Corporation and Jacky Grimshaw of Center for Neighborhood Technology, both in Chicago, and Greg Squires of George Washington University, posed questions to the panel.

Goals

Woodstock Institute's goals are to promote community reinvestment, economic development, and access to capital and credit in lower-income and minority communities in ways that help develop and support local leadership. Our specific tools are applied research and policy development, technical assistance, public education, and coalition building.

Accomplishments

Established a Strong State Anti-Predatory Lending Law

In 2003, Woodstock Institute and other members of the Illinois Coalition Against Predatory Home Loans successfully argued for the adoption of a new Illinois law that reforms many of the abuses of the predatory home mortgage lending industry. The High Risk Loan Act goes into effect on January 1, 2004. Many of the provisions of the High Risk Loan Act were developed by Woodstock Institute. The law:

- Codifies much of the Illinois Anti-Predatory Lending Regulation (passed in 2001), including maintaining interest rate, points and fees thresholds, and prepayment penalty restricttions for defining high risk loans;

- Requires the Office of Banks and Real Estate (OBRE) or the Department of Financial Institutions (DFI) to report violations of the Act to the Illinois Attorney General, which has the power to prosecute violations under the Consumer Fraud and Deceptive Business Practices Act.

- Allows for a private right of action, which lets consumers directly pursue lenders who originate violating loans. Consumers would no longer need to go through OBRE or DFI.

- Allows for assignee liability, allowing consumers to pursue the holder of the loan, not just the original lender. This is important because most predatory loans are sold on secondary market entities soon after origination. These entities would now be accountable for the violations of the originating lenders. Assignee liability would significantly curtail investment in predatory lending in Illinois.

Once the High Risk Loan Act has been passed into law, Woodstock Institute and the Illinois Coalition Against Predatory Home Loans will work with the regulatory agencies to develop policies and to monitor effective enforcement.

Fought National Attempts to Weaken State Predatory Lending Laws

Federal preemption of state predatory home mortgage laws is a growing challenge in the fight against predatory lending. A federal industry-backed bill is being considered that would preempt all state and local anti-predatory lending laws with weak federal legislation. The Institute commented on this federal proposal and has argued for the approval of an alternative bill that would strengthen federal oversight of predatory lending. Institute staff also met with the chief counsel of the Office of the Comptroller of the Currency (OCC), asking the regulator to deny or approve with the narrowest possible ruling a request by National City Bank. National City wanted the OCC to preempt national banks and their subsidiaries from the Georgia Fair Lending Act. Regretfully, the OCC has proposed as its standard an extraordinary wide use of its preemption powers.

Organized a National Discussion on Predatory Loan Reform

In May 2003, the Institute and the National Consumer Law Center organized a national conference of researchers, advocates, and educators that focused on all forms of predatory lending and the relationship between state and national legislation on these issues. This conference discussed the quality, quantity, and future of research on predatory lending. Participants included activist groups, foundations, researchers, public officials, community development financial institutions, and representatives of the secondary mortgage market. Conference participants discussed the nature, extent, and effects of predatory lending throughout the nation and began crafting a multi-faceted public policy response that would eventually include a public education campaign and comprehensive, model federal legislation.

Commented on proposed changes to the Illinois Residential Mortgage Licensee Act

In March this year, the Illinois Residential Mortgage Board proposed changes to the Residential Mortgage Licensee Act of 1987. The Institute approved of some of the proposed changes but felt that they were troublesome on many levels. Woodstock argued that the interest rate fee trigger proposed for high cost loans proposed under the bill was too high and disagreed with the removal of yield spread premiums from the calculations of the trigger point for points and fees. Additionally, the Institute felt that it was unclear how Consumer Installment Loan Act (CILA) licensees and state banks and thrifts, who are currently covered by the state's high-risk lending rules, will be effected by these changes.

Woodstock testified before the Board that the proposed additions should be rejected or at the very least made stronger if they were to be put into law. In the end, because of considerable pressure from community groups like the Institute, the Board decided not to make the proposed changes to the "high-risk loan" section of the law. This was a significant victory for Illinois consumers. Also, Woodstock argued for increased enforcement of the existing high-risk loan regulations and strong legislation that would increase protections for Illinois consumers.

Worked to Strengthen Payday Lending Policies

Woodstock and the Monsignor John Egan Campaign for Payday Loan Reform developed a bill that addressed all payday loans, including installment loans which fall outside current payday loan regulations. The Illinois Affordable Loan Act would limit the interest and fees that payday licensees can charge consumers for loans regulated by the Consumer Loan Installation Act. The Institute and the Egan Campaign held lengthy discussions with policy makers and representatives of the state and national payday loan industries.

On the federal level, in February 2003, the Institute responded to a request for comments by the Federal Deposit Insurance Corporation (FDIC) on its payday loan guidelines. Woodstock suggested several consumer protection policies that would also contribute to bank safety and soundness levels.

Woodstock and its colleagues around the country were victorious this year in pressing the Office of the Comptroller of the Currency (OCC), Federal Reserve Board, and Office of Thrift Supervision (OTS) to curb partnerships between banks and payday lenders. These regulators initiated restrictions on the types and levels of business that banks can do with payday lenders. The Institute has pressed for these reforms for years, and will continue to urge the FDIC to pass similar reforms.

Moreover, in response to advocacy by Woodstock and its colleagues, the Federal Reserve Board rejected the application of payday lender Check N' Go to acquire the Bank of Kenney, IL. This unprecedented merger would have been disastrous for consumers, as a payday loan company would have been able to overcome numerous state laws and operate around the country using a national bank charter. The Institute will watch the payday industry closely for any other attempts to buy or merge with a bank in order to circumvent state law.

Researched the Predatory Consumer Loan Problem in Illinois

In March 2003, the Institute released a study that documented the concentration of payday loan stores in African-American communities in the Chicago region. The study demonstrated the targeting of payday loans to vulnerable consumers and the need for stronger regulation. Moreover, DFI recently released a draft study of the payday loan industry in Illinois. Woodstock is analyzing data from the study for a report that will be issued later. In addition, during the last year, Woodstock prepared policy memos on the payday lending problem in Illinois for Governor Rod Blagojevich and Attorney General Lisa Madigan.

Released a Report Detailing the Impacts of CDFIs in Illinois

In May 2003, Woodstock released *Reinvestment Alert 21: Impacts of CDFIs in Illinois: A Case for an Improved Illinois Fund for Investment and Development*. This alert analyzes impacts of CDFIs in Illinois using fiscal year 2001 data. The alert describes the positive impacts of community development financial institutions (CDFIs) in Illinois, which stimulate the local economy by providing access to affordable capital. The study shows that Illinois' active CDFI industry has a successful track record of creating jobs, building affordable housing, providing technical assistance to small businesses, financing community facilities, enabling individual development account (IDA) programs, and sustaining social services through-out the state.

In January 2003, the Illinois Fund for Investment and Development (IFID) was established. Illinois is only the fourth state in the nation to enact a law creating a comprehensive state-based program to support the CDFI industry. However, IFID is currently unfunded. Woodstock and the Illinois CDFI Coalition urge Illinois lawmakers to set aside an appropriation of at least $3.5 million for

IFID in order to trigger community development in areas that are not adequately served by the traditional financial sector.

The alert shows that in 2001, Illinois CDFIs:

- Assisted in the financing of thousands of housing units in the state

- Created or maintained hundreds of jobs

- Provided countless hours of technical assistance to individuals and organizations

- Helped lower-income people build assets by offering individual development accounts (IDAs) to support homeownership, higher education, or start-up businesses

- Financed vital community facilities to support important community services, such as child care, healthcare, and education

Moreover, Woodstock found that a substantial majority of the client base of community development loan funds and credit unions were women, minorities, and low-income persons, and that CD banks were more likely to provide home mortgage loans to minority and lower-income consumers than other financial institutions.

Released a Report on the Importance of Bank Investments in CDFIs

In April, Woodstock released *Reinvestment Alert 20: CRA and CDFIs Revisited: The Importance of Bank Investments for the Community Development Financial Institutions Industry and Implications for CRA Regulatory Review*. The alert demonstrates the importance of bank investments in community development financial institutions (CDFIs), which are crucial actors in community development. This finding came at a time when these investments were under threat by proposed changes to Community Reinvestment Act (CRA) regulations.

CDFIs include community development banks, loan funds, credit unions, microenterprise programs, and venture capital funds. These companies, operating largely in lower-income neighborhoods or for lower-income customers, might help a young couple buy a first home, enable a small business owner to expand his/her first business, provide a low-cost banking account to an unbanked person, or help finance a shopping center or other major developer in a disinvested neighborhood.

Utilizing a new data source covering 379 CDFIs across the country for FY 2000, Woodstock has found that bank investments are crucial to CDFIs:

- CRA-regulated banks and thrifts provided $847 million in CDFI capital.

- This means that CRA-regulated institutions generated 15 percent of total capital for CDFIs.

- Moreover, 32 percent of loan fund capital was derived from CRA-regulated institutions.

Woodstock noted in the report that despite the importance of these investments, federal bank regulators are considering eliminating the investment test portion of CRA examinations in the current review of CRA regulations. The Institute argued that the investment test is a crucial incentive for banks and thrifts to make investments in CDFIs and should be protected and enforced. The alert also detailed why Woodstock believes that the appropriation for the federal CDFI Fund should have been significantly increased for FY 2004.

Uncovered the Ways that Insurance Company Banks Avoid CRA Responsibilities

In October 2003, the Institute released *Reinvestment Alert 24: CRA, Financial Modernization and the Policy Implications of Insurance Company Involvement in Banking for Low-Income Populations*. For the purpose of CRA examinations, local communities are aggregated into assessment areas. This alert shows that insurance company banks are doing the vast majority of their single-family mortgage lending outside of their stated assessment areas, leaving most of their activity beyond the purview of CRA. Federal regulators, hiding behind a very particular interpretation of the statute and the regulations, are permitting these banks to avoid CRA scrutiny.

Moreover, the banks are not performing well in serving the very groups that CRA intends to protect. In aggregate, insurance banks are seriously underperforming the national averages in the percentages of mortgage loans that they make to low- and moderate-income (LMI) borrowers. Also, the largest lender of the group, State Farm Bank--a bank that operates in 50 states but has an assessment area that only consists of Bloomington-Normal, IL--is doing an extremely poor job of lending to LMI borrowers in its assessment area.

Because federal regulators treat insurance company banks differently than "traditional" bricks and mortar-based banks, the federal statute to protect lower-income families from disparate treatment by financial institutions is much less effective than it should be. The Institute recommends the following policy changes to rectify this problem:

1. CRA should be extended to all non-bank entities that engage in banking or bank-like activities.

2. Home Mortgage Disclosure Act (HMDA)--like data disclosure must be made publicly available on account holders at all financial institutions. This data should include race, income, gender, and census tract of the account holder, with appropriate privacy protections.

3. Regulators should examine banks for any evidence of tying, or suggesting that the purchase of a second product might influence the decision to sell, or the price of, the first product. CRA Performance Evaluations should document any evidence of tying. Violating firms should be fined.

4. CRA assessment areas must be updated to reflect the reality of today's banking market. This issue is brought glaringly to light with scale of insurance banks' unexamined lending outside their assessment areas. A bank should include the following in its definition of its assessment area:

    a) MSAs or counties where it has branches and ATMs;

    b) Any MSA or non-metro county where the bank has originated a significant portion of its loans or taken a significant amount of its deposits (e.g., 0.5 percent);

    c) Any MSA or non-metro county where it has originated or taken a significant portion of the areas total loans or deposits in the most recent year (e.g., 0.5 percent); and

    d) Adjustments to these areas to include only a portion of an MSA or county should be limited to those institutions with less than $100 million in deposits in the MSA or county.

Analyzed the Mortgage Lending of Community Development Banks in the Chicago Area

A January 2003 report by Woodstock Institute, *Reinvestment Alert 19: Community Development Banks Substantially Outscore Other Banks in Serving Low-Income and Minority Communities: Implications for the Federal Budget and the Community Reinvestment Act* shows that community development (CD) banks far outperform regular banks in serving low-income and minority communities. CD banks are institutions that adopt the specific mission of serving underserved populations.

The data describes the performance of banks in Chicago (the CD banks profiled include: Shorebank, NAB Bank, First Bank of the Americas, Seaway National Bank, Illinois Service Federal S&L, Universal Federal Savings Bank, International Bank of Chicago, and Community Bank of Lawndale). The data show that a considerably higher percent of CD banks' home loans go to lower-income neighborhoods and borrowers than is true for all other lenders. The same pattern is repeated for loans to minority neighborhoods and borrowers. Woodstock used these data to make the case for increasing appropriations for the federal CDFI Fund and improving the Investment test portion of CRA examinations in order to support CD banks and other CDFIs.

Analyzed Distribution of Chicago Area Small Business Lending

In the summer of 2003, Woodstock released *Reinvestment Alert 23: Small Business Lending in the Chicago Region, 2001*. The report examines the distribution of Chicago area small business lending in 2001 and breaks down the top area lenders and their performance in low- and moderate-income areas. Key findings include:

- Lending in Chicago's collar counties outpaced lending in older, central areas. In 2001, the six county area average was 53.9 loans per 100 firms. McHenry County has the highest level of lending per business (70.53 per 100 firms). Chicago had the lowest per capita number (46.2 per 100). Kane County had the largest average loan size ($55,000) compared to South Cook County which had the smallest ($39,000).

- Lending to firms in low- and moderate-income (LMI) and minority areas lagged behind levels to businesses in middle- and upper-income (MUI) and white areas. In 2001, LMI areas received 14 percent fewer loans per business than MUI areas (47.2 per 100 compared to 53.7). White tracts had over 31 percent more loans per business than African-American areas and the average loan size to firms in white tracts was 48 percent larger than in African-American areas. Looking at only MUI communities, white tracts had 13 percent more loans per business than African-American areas and a 46 percent larger average loan size.

- The most active small business lenders in the region are credit card lenders, but local banks still play a significant role in area lending, especially in LMI areas. In LMI areas, credit card lenders again made the majority of loans, but many local banks, especially those with offices in LMI areas, originate a larger share of their loans to firms in these neighborhoods than do larger regional or national banks.

- Banks with strong branch networks in LMI areas made a larger share of their loans to these communities. Regionally, 13.7 percent of all small business loans went to firms in LMI areas. However, banks with above average branch distributions in LMI areas made over 20 percent of their loans to these areas. Institutions with local offices that had a below average or no presence in LMI areas made less than 10.7 percent and 7.5 percent of their loans to firms in LMI communities. Credit card lenders made 14.7 percent of their loans to LMI areas.

Sponsored a Workshop on How to Attract Bank Branches to Low-Income Communities

Recently, several banks have announced plans to significantly expand their branch presence in the Chicago area. These banks include Bank of America, Charter One Bank, Washington Mutual, Fifth Third Bank, LaSalle Bank, and National City Bank. However, the Institute and community groups across the Chicago area are concerned that many of these banks might not plan to establish branches in low-income areas where they are sorely needed.

Therefore, Woodstock sponsored an extensive workshop for community groups and government entities in February 2003 to encourage people in low-income and minority communities to work to market their communities to banks in order to attract much-needed bank branches. Over 30 community groups attended this event. Institute staff gave an overview of bank branch disparities among low-income, high-income, minority and white communities in the Chicago area and analyzed data on bank branching trends over the years.

A representative from the Metro Chicago Information Center presented information on how to conduct a market study to court a bank branch to a particular neighborhood. Charter One Bank gave information on what banks are looking for in terms of space, size, and market when it comes to locating bank branches. Finally, representatives of the Humboldt Park Economic Development Corporation and West Town Leadership United provided a case study of how they utilized research and grass-roots organizing to attract a bank branch to their underserved community. Woodstock disseminated contact information for banks that are expanding and began to plan another workshop geared towards bank staff.

On this topic, Woodstock also issued *Reinvestment Alert 22: Where Banks Aren't: Despite Growth in Chicago Area Bank Offices, Low-Income and Minority Communities Remain Underrepresented.* This alert shows that low- and moderate-income and minority communities are significantly under-served by banking offices. The alert identifies general patterns of regional bank office change between 1994 and 2002 and provides a snapshot of the 2002 distribution of Chicago area banking offices, identifying gaps in service to low- and moderate-income and minority communities. Key findings show:

- Collar counties McHenry and Will experienced the most rapid bank office growth while suburban Cook had the slowest growth.
- In 2002, the six county average was 2.58 bank offices per 10,000 people.
- Low- and moderate-income (LMI) areas account for nearly 33 percent of area residents, but less than 17 percent of area bank offices.
- LMI areas have 1.27 bank offices per 10,000 people compared to 3.15 per 10,000 in middle- and upper-income (MUI) areas.
- Only areas that are over 75 percent white are above the regional average for per capita bank offices (3.64 per 10,000).
- Majority African-American areas have 1.04 bank offices per 10,000. Majority white areas have 3.19.

Minority, middle-income areas have fewer per capita bank offices (2.14 per 10,000) than white, middle-income areas (2.77), but have more than twice as many per capita currency exchanges (check cashing outlets), 1.13 per 10,000 compared to 0.53. Woodstock intends to continuously update this research in light of the recent spate of banks that have announced major branch expansion plans in the area.

<u>Studied Best Practice in Providing Financial Services to Lower-Income People</u>

For years, the Federal Reserve Board estimated that about ten million households in the U.S. lack access to basic bank accounts. However, a recent study by the General Accounting Office found that there are as many as 22.2 million unbanked households -- comprising about 56 million adults. This staggering figure points to a crisis in the bifurcated financial service world. In February, Woodstock released a report, *The Foundation of Asset Building: Financial Services for Lower-Income Consumers*, which demonstrates that banks with a commitment to reach unbanked households can do so effectively and efficiently.

The report profiles programs and services at Banco Popular de Puerto Rico, Union Bank of California, First Bank of the Americas in Chicago, First Interstate Bank in Montana and Wyoming, and Wells Fargo Bank Wisconsin. These banks provide affordable checking or lifeline accounts, innovative financial literacy programs, and creative outreach and marketing strategies. The study found that providing financial services for lower-income consumers is financially sustainable. Factors that contribute to profitability include employing electronic technology, promoting cross selling of bank products, and staff training. The report also informs bankers and community advocates of new opportunities for lower-income unbanked consumers to enter the financial main-stream. Recent innovations, such as Matricula Consular cards and individual tax identification numbers (ITINs) for immigrants, are described. The report ends with an inventory of lifeline banking and financial literacy resources.

Developed Policy for Illinois' State CRA Law

In January 2003, State Representative Eddie Washington (60th District) of Lake County proposed a bill (HB 277) that would allow the State Treasurer to consider a bank's CRA rating and other factors in order to receive state deposits. Representative Washington and Woodstock Institute had originally developed this CRA investment policy for Lake County organizations. To date, the policy has been adopted by the City of North Chicago, the Community College of Lake County, the Lake County Community Action Program, the North Shore Sanitation District, Lake County and Waukegan Township. Several other states have statewide CRA policies, including New York, Iowa, Louisiana, Massachusetts, and Nebraska.

The bill would not require additional reporting from banks and would not greatly add to the responsibilities of state agencies, but it received considerable opposition from the banking industry. The bill, however, was passed into law and goes into effect in July 2004.

Convened the Chicago CRA Coalition and Negotiated a CRA Agreement

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 down-state communities. The Institute organizes, staffs, and provides technical assistance for the Coalition.

After a series of intense negotiations, in February 2003, Charter One Bank renewed its three-year CRA agreement with Woodstock and the Chicago CRA Coalition. The new agreement, which includes expanded goals for lending to African-Americans and Hispanics, increased investments and grants for community development agencies, and additional bank branches in low-income areas, will run through 2005. The Institute will continue to work with Charter One to monitor progress towards reaching the goals of the new agreement.

Provided Data Analysis and Regulatory Policy Recommendations Related to the CRA Performance of Various Banks

One of Woodstock's main roles is to analyze and disseminate information about specific banks' CRA performance. In 2003, the Institute analyzed, com-mented on, and distributed information relating to the CRA performance of 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:

MidAmerica Bank (MAF Bancorp)

Woodstock experienced a significant victory related to better fair lending enforcement. In August 2002, MidAmerica Bank announced that the U.S. Department of Justice (DOJ) was investi-gating it for fair lending violations, as suggested by Woodstock in 2001. Then in late 2002, MidAmerica announced its plans to acquire Fidelity Federal Bancorp, a $700 million bank. Woodstock protested this acquisition on the grounds that MidAmerica Bank's minority lending record continued to be atrocious. Fidelity's lending to African-Americans proved to be particularly bad. While this merger was being considered, on December 30, 2002, MidAmerica announced that it was settling with the Department of Justice (DOJ) regarding fair lending disparities and discrimination against residents of minority census tracts. The bank agreed to:

- Open or acquire two branch offices in minority areas within 30 months.

- Implement a targeted ad campaign to increase home mortgage lending.

- Provide $10 million in benefits to borrowers through special financing programs to help residents of minority areas achieve home ownership.

- Contribute $500,000 to homebuyer education and counseling programs, and conduct an assessment of the home mortgage credit needs of residents in minority areas.

While Woodstock was glad that DOJ took this case seriously and that the bank agreed to amend some of its current practices, the Institute felt that the bank's proposed acquisition of Fidelity Bancorp would more than offset any positive gains made through this settlement. Woodstock recommended that OTS demand a stronger commitment from MidAmerica regarding its presence in and services to minority communities.

Woodstock has met with MidAmerica staff several times in recent months to discuss possible improvements to their service in minority areas. Moreover, the Institute has discussed Mid-America's recent announcement of a purchase of St. Francis Bank in Milwaukee with several community organizations in Wisconsin. Wood-stock has offered extensive data analysis to these groups and the Institute provided comments on the merger to the OTS. St. Fancis also has a poor record of minority lending, and Woodstock is concerned that MidAmerica will replicate is poor pattern of service in minority areas across state lines.

Midwest Bank and Trust Company

In April 2003, the Institute commented to the Federal Reserve on Midwest Bank and Trust Company's proposed acquisition of CoVest Banc. Woodstock convened a meeting of the Chicago CRA Coalition and Midwest Bank in January 2003 to discuss the bank's CRA performance. At this meeting, bank staff stated that they could not realistically enter the lending market in the south side of Chicago. Woodstock argued in its letter to the Federal Reserve that a bank of this size could and should adequately service the entire Chicago area. Midwest Bank has branches in the City of Chicago, including one in the Loop. Other similarly-situated banks include all of Cook County and often the larger Chicago region in their assessment areas. However, currently, Midwest's skewed assessment area excludes all of Chicago south of 35th street as well as the south suburbs. Among other criteria, the FFIEC's large bank CRA examination procedures mandate that a bank's assessment area:

- Consist of one or more MSAs or contiguous political subdivisions (i.e., counties, cities or towns);

- Does not reflect illegal discrimination; and

- Does not arbitrarily exclude low- or moderate-income area(s) taking into account the institution's size and financial condition.

Woodstock argued that Midwest Bank's skewed CRA assessment area did not fulfill the above criteria and that before the acquisition went through, the bank should expand its assessment area. The acquisition of CoVest Banc would give Midwest about $3 billion in assets and 20 branches in the area. This makes the bank a very sizable institution in a highly competitive market. Moreover, CoVest utilizes the entire Chicago MSA (Cook, DuPage, DeKalb, Grundy, Kane, Kendall, Lake, McHenry, and Will Counties) in its assessment area. Woodstock stated that merging banks should define their assessment areas according to the larger rather than the smaller of the two banks' areas. A bank should not be allowed to acquire another bank and create an assessment area that is significantly more restrictive than what the other bank is already using for CRA purposes. This violates the intent of expanding service to low-income areas.

Woodstock was also concerned about Midwest Bank's level and type of community development investments. The Institute plans to continue to meet with the bank to discuss these issues and awaits a determination on the merger from the Federal Reserve Board.

*E*TRADE Bank*

In the fall of 2003, the Office of Thrift Supervision (OTS) issued a Needs to Improve CRA rating to E*TRADE Bank (ETB), the country's largest Internet Bank and one of the largest banks to ever fail a CRA examination. Woodstock provided detailed comments on how the $17 billion, Arlington, VA-based bank might respond to the failing rating with a new CRA plan. In an analysis of the bank's HMDA lending for the year 2001, Woodstock found very low levels of lending to lower and moderate-income (LMI) and minority borrowers in comparison to lending to middle and upper-income (MUI) and white borrowers in several states.

Moreover, every bank must designate a service or assessment area for CRA purposes, and ETB's skewed assessment area did not reflect the way the bank actually does business. This is particularly problematic considering the bank's failure to serve LMI people. The Chicago area has recently been added to the bank's assessment area, in part in response to the Institute's comments. ETB's lending in Illinois is extremely weak in regards to lending to LMI, black and Latino borrowers.

Woodstock staff held meetings with bank staff and offered extensive referrals and advice on how they might improve their CRA performance. Woodstock believes that E*TRADE Bank and the OTS have an opportunity, as well as an obligation, to set a positive precedent for how Internet banks can rectify the reality of their business model with their service to lower-income people and communities.

The Institute recommended that Internet banks include in their CRA assessment areas all counties or metropolitan statistical areas (MSAs) in which the bank holds 0.05 percent of the market share. Alternately, or in addition, if a bank's market share exceeded this threshold in some MSAs and not in others, a bank could aggregate CRA lending goals for the entire country outside of the defined assessment area. To do this, the bank should look at its market share ratio in the portion of the national market that is outside its assessment area. ETRADE Bank's poor lending record and lack of CRA-related investments, community development loans and services, and deposit products targeted to individuals with smaller balances, show a history of ignoring CRA. Woodstock plans to monitor the bank's CRA performance in the future.

Contributed a Chapter to a Book on CRA Organizing

In response to criticisms of CRA organizing by former Federal Reserve Board Governor and Presidential Economic Advisor Larry Lindsey, Woodstock Board member Greg Squires of George Washington University organized CRA activists around the country to contribute chapters to a book on the importance of CRA organizing. Woodstock President Malcolm Bush collaborated with ex-Institute Senior Vice President, Dan Immergluck, on a chapter detailing accounts of the historic CRA negotiations with Fist Chicago/Bank One in 1998, which resulted in a landmark CRA agreement.

The chapter also outlines the organizing efforts that led to the promulgation of the Illinois anti-predatory mortgage lending regulation in 2001. The book, *Organizing Access to Capital, Advocacy, and the Democratization of Financial Institutions,* has just been published by Temple University Press.

Technical Assistance

Technical Assistance in Chicago and the Surrounding Metropolitan Area

Banco Popular -- Organized a large meeting of Chicago CRA Coalition members and bank staff to discuss improvements in the bank's record of

CRA-related grants and investments in the Chicago area; subsequent follow-up meetings ensued.

Bank of America -- Met with bank staff to provide insight and advice regarding new account products aimed at reaching the unbanked.

Charter One Bank -- Organized a forum to discuss ways that the bank could make direct investments in affordable housing projects. Gave examples and referrals on this issue.

Citibank -- Met with a local branch manager to discuss developing an employer-based financial literacy program.

City of Chicago Department of Planning -- Sent information on how the department could play a role in shaping payday loan policy, focusing on the establishment of alternative products.

DePaul University -- Advised on where to find data related to mortgage defaults as well as the location of currency exchanges and bank branches.

Designs for Change -- Gave extensive background information, advice and referrals on financial literacy programs for underbanked adults for a new program involving parents in lower-income school districts.

Representative Rahm Emmanuel (D-IL) -- Met with the Congressman and gave information, background and updates on predatory lending, credit unions, and other community reinvestment issues.

Federal Reserve Bank of Chicago -- Provided extensive list of referrals and contacts for a meeting on the issue of affordable housing.

Frerichs Group -- Met with this consulting firm to give extensive advice, recommendations, and referrals related to working with community groups to build new bank branches in underserved areas in the Chicago region.

Illinois CDFI Coalition -- Participated in planning and organizing sessions to develop coalition and form a new funding source for CDFIs in the state.

Illinois Credit Union League -- Gave information, background and referrals on advocacy and action around community reinvestment and credit unions in Illinois.

Illinois Facilities Fund -- Analyzed the performance of CDFIs in Illinois to encourage the strengthening of advocacy surrounding the CDFI industry in the state.

Lakeside Bank -- Referred to an extensive list of community organizations in Latino neighborhoods to help the bank build relationships for financial literacy programs.

LaSalle Bank -- Discussed the issue of alternative forms of identification, including the Matricula Consular, in preparation for writing comments to the United States Department of the Treasury.

Latinos United -- Met with agency staff to discuss collaboration on financial services issues in Latino neighborhoods and on fair housing issues throughout the Chicago region.

John D. and Catherine T. MacArthur Foundation -- Met with foundation staff to discuss strategies for measuring the impacts of community development projects.

MB Financial -- Discussed the issue of alternative forms of identification, including the Matricula Consular, in preparation for writing comments to the United States Department of the Treasury.

State Senator Lisa Madigan (D-IL) -- Gave advice and recommendations on payday loan legislation to the Senator's staff.

Metropolitan Planning Council -- Provided an overview of public policy issues dealing with the secondary mortgage market firms Freddie Mac and Fannie Mae.

MidAmerica Bank -- Met with staff to discuss expansion into minority communities and to explore programs to offer better financial services to minority families.

Mid-South Planning and Development Commission -- Provided information on banks that are planning to expand in the Chicago area.

Monsignor John Egan Campaign for Payday Loan Reform -- Participated in press conference describing targeting of African-American communities by payday lenders. Also advocated for an improved state payday loan regulation.

National Community Investment Fund -- Provided historical information on different regulatory agencies' histories of issuing failing CRA ratings.

Nonprofit Financial Center -- Provided information on a survey of community development financial institutions.

Northside Community Federal Credit Union -- Gave advice on ways to structure financial services in Chicago public housing developments.

Office of the Comptroller of the Currency -- Met with bank examiners to discuss the CRA service record of a major national bank for a CRA exam and talked about ways to improve the implementation of the CRA service test.

Peoria Star -- Gave background information and updates on tax policy for a story on the Illinois tax code.

Policy Research Action Group -- Gave advice and referrals so the Group could build relationships with financial institutions that might be interested in funding community research projects.

Lieutenant Governor Pat Quinn -- Provided information to staff on financial service needs of lower-income people and possible state programs and projects. Also met with the Lt. Governor to discuss community development credit unions and payday loan reform.

U.S. Representative Jan Schakowsky -- Gave advice and information and provided data analysis for the Save Our Homes Act, a bill that would curtail predatory mortgage lending in the U.S.

Shorebank -- Met with bank staff to talk about ways to evaluate credit path models.

Illinois Treasurer Judy Baar Topinka -- Commented on the Banking Development District bill, which would provide incentives for banks to build branches in low-income areas.

State Representative Eddie Washington (D-IL) -- Assisted in the drafting of a bill designed to ensure that banks with unsatisfactory CRA records could not receive state deposits. Met with other legislators and industry officials to discuss and explain the bill.

Uptown National Bank -- Met with bank staff to discuss ways to improve community partnerships in light of an upcoming merger.

West Humboldt Park Development Council -- Offered a CRA 101 workshop and explained the intricacies of CRA activism and activity in the Chicago area.

Women's Self-Employment Project -- Provided advice on developing an asset-development program in the Chicago area.

Woods Fund of Chicago -- Participated in discussions about asset-building strategies for Chicago and Illinois.

National and International Technical Assistance

Annie E. Casey Foundation, Baltimore, MD -- Gave information on community development banks in the United States. Also provided information on payday lending and alternatives to payday loans.

Aspen Institute, Washington, DC -- Advised the Institute on issues of the unbanked and the need for bank branches in underserved areas.

Banco do Povo, Belem, Brazil -- Met with bank staff to discuss the similarities and differences of community development banking in the U.S. and Brazil.

Brookings Institution, Washington, DC -- Gave extensive information on utilizing new data indicators for economic justice purposes.

Business Week, Washington, DC -- Provided background and information on minority-owned banks in the U.S.

California Reinvestment Committee, San Francisco, CA -- Gave information on the role of FICO (credit) scores in predatory lending.

DEMOS, New York, NY -- Referred to community reinvestment contacts in Alabama for a future conference.

Department of Health and Human Services, Washington, DC -- Gave advice on ways to reach out to underserved communities.

E*TRADE Bank, Arlington, VA -- Provided comments, met with the bank and organized a large meeting with bank staff and community representatives to provide advice on how the bank could respond to a failing CRA rating. Also gave advice on CRA investment test strategies.

Federal Reserve Board, Washington, DC -- Commented on proposed changes to Regulation Z to improve Truth in Lending Act disclosures.

Federal Reserve Bank of San Francisco, San Francisco, CA -- Gave information on banks' asset development products.

Federal Trade Commission, Washington, DC -- Provided background and insight on the problem with payday loan disclosures and agreements.

General Accounting Office, Washington, DC -- Provided information on possible credit union community reinvestment policies.

HM Treasury, London, UK -- Met with Treasury officials and Consulate staff in Chicago to discuss the history of CRA and CDFIs in the United States to help the UK representatives strategize over the changing financial structure of the UK.

Housing Research Center, Washington, DC -- Gave extensive advice and analysis on ways to frame issues in community development for policy purposes.

Instituto de Estudos do Trabalho e Sociedade, Rio De Janeiro, Brazil -- Met with Institute staff to give a detailed overview of the history of community development finance in the U.S.

Legal Aid Society of Milwaukee, Milwaukee, WI -- Provided information on an Illinois payday lender that is expanding to Wisconsin.

Andrew Male, Consultant, Boston, MA -- Helped strategize on ways to use technology to serve underserved markets for a project in conjunction with local banks.

Metro Milwaukee Fair Housing Council, Milwaukee, WI -- Organized meetings with staff to discuss an upcoming merger between MidAmerica Bank and St. Francis Bank. Provided extensive data analysis and background information.

National Community Reinvestment Coalition, Washington, DC -- Gave extensive background and information on the history of comments regarding MidAmerica Bank's lending record in the Chicago area.

New Economics Foundation, London, UK -- Provided information on the role of research and policy organizations in community reinvestment in the United States.

New Town Community Development Corporation, Tempe, AZ -- Advised on methodology for a study of homebuying patterns in the area, including advice on ways to define diversity and stability of neighborhoods and how to aggregate data.

Northwest Side Community Development Corporation, Milwaukee, WI -- Discussed the merger of MidAmerica and St. Francis Banks in order to strategize around future community reinvestment challenges and opportunities.

Office of the Comptroller of the Currency, Washington, DC -- Provided recommendations on how to improve the implementation of the Service Test portion of CRA exams.

Rutgers University, Camden, NJ -- Provided information on community development training and technical assistance programs for a university-sponsored study.

Select Milwaukee, Milwaukee, WI -- Met with agency staff to discuss the upcoming merger of MidAmerica Bank and St. Francis Bank in order to strategize around future community reinvest-ment challenges and opportunities.

Southern Poverty Law Center, Montgomery, AL -- Gave extensive information on issues related to predatory lending and foreclosures.

Tallahassee Democrat, Tallahassee, FL -- Talked to reporter about the CRA activities of Corus Bank for a story on investments in new condo projects in the City of Tallahassee.

Presentations

January

"Predatory Payday Lending: Issues and Progress," Presentation to the Annie E. Casey Foundation. Baltimore, MD.

February

"Opportunities and Challenges in Community Economic Development in the U.S.," Conference at the Pontifical Catholic University, Rio de Janeiro, Brazil.

"How to Bring a Bank Branch to Your Community," Workshop for Chicago Area Nonprofits and Governments, Chicago, IL.

"Financial Services for Lower-Income Consumers," Presentation to Field Examiners for Office of the Comptroller of the Currency. Washington, DC.

"CRA 101: How to Use the Community Reinvestment Act to increase Financial Services in your Community," Presentation to the West Humboldt Park Development Council, Chicago, IL.

March

"Battling the Merchants of Misery: Predatory Lending -- Its Latest Forms and the Best Ways to Combat Them," Annual Conference of the National Community Reinvestment Coalition, Washington, DC.

"Asset Development and Lifeline Products for Lower-Income Families," Annual Conference of the National Community Reinvestment Coalition, Washington, DC.

"Influencing Bank CRA Performance by Commenting on CRA Exams," Annual Conference of the National Community Reinvestment Coalition, Washington, DC.

"Women's Asset Development and Lifeline Banking Products," Women and Assets Summit.

"Testimony before the Illinois Housing Committee on State Government Administration regarding HB 277 (re: CRA and state deposits)," Springfield, IL.

"Community Reinvestment Activism in Urban America," Presentation to the Urban Studies Program of the Associated Colleges of the Midwest, Chicago, IL.

April

"Engaging in Policy Research and Utilizing Data for Nonprofit Advocacy," Presentation to the Professional Practice class of the University of Illinois-Chicago Masters in Urban Planning and Policy Program, Chicago, IL.

"CRA 101," Presentation to United Power for Action and Justice, Chicago, IL.

"The Bronzeville Community of Chicago," National Community Building Network Conference, Chicago, IL.

May

"Anti-Predatory Lending Policy in the United States: Where do We Go from Here?" Organized and Co-Hosted Conference on Predatory Lending Policy, Chicago, IL.

June

"CRA, Mortgage Lending, and Banco Popular," Presentation to the XXXX, Chicago, IL.

July

"Asset Development in the United States," Panel at a conference on asset building organized by the Annie E. Casey Foundation, Baltimore, MD.

October

"Changes in Community Development Strategies in the U.S.," Institute de Estudos do Trabalhoe Sociedade, Rio de Janeiro, Brazil.

"Building Lifeline Banking Strategies," Regional Conference of the National Community Reinvestment Coalition, Davenport, IA.

"CRA and the Unbanked," Conference of the Center for Economic Progress, Chicago, IL.

"Payday Lending in Illinois," Interview with WVON Radio, Chicago, IL.

November

"Predatory Mortgage Lending in Illinois: Recent Challenges and Opportunities," Policy Forum of Work, Welfare, and Families, Chicago, IL.

"The Changing Policy Context Affecting Low-Income People," Woodstock Institute 30th Anniversary Celebration, Chicago, IL.

"Building Assets, Building Credit: Getting Regulation Right," Joint Center for Housing Research Conference, Harvard University, Boston, MA.

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 -- Federal Reserve Bank-sponsored 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 partner-ships 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 -- Engages in research and policy analysis to improve the condition of poor children in Brazil and other countries.

Board and Executive Committee 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 -- A national group of CDFI practioners and coalitions working to improve national policy on CDFIs.

Convenor, Chicago CRA Coalition -- The Coalition develops and advocates for concrete improvement in Chicago region banks' community rein-vestment activities.

Convenor, Midwest Bank Regulators and Community Development Organizations Collaborative -- Discusses community and regulator issues about the implementation of 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 -- A collaboration of the National Community Reinvestment Coalition and representatives of leading financial institutions. The Group is dedicated to improving community reinvestment performance, practice and policy.

Member, Chicago Low-Income Housing Trust Fund -- 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, 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.

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, New Alliance Task Force on Immigrant Banking -- Formed by the Federal Deposit Insurance Corporation in conjunction with the Mexican Consulate of Chicago, the Task Force includes banks, nonprofits, regulatory agencies and schools that partner to further the advancement of immigrants' access to financial services.

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.