ANNUAL REPORT 2008-2009

FAIR LENDING
WEALTH CREATION AND PRESERVATION
FINANCIAL SYSTEMS REFORM
OUR MISSION

Create a just financial system in which lower-wealth persons and communities, and people and communities of color, can achieve economic security and community prosperity.
The global economic crisis that we have witnessed in the last years has devastated American communities and necessitated major reforms of our financial system. At Woodstock Institute, we realize that this extremely challenging environment also creates significant opportunities to advance policies that improve economic security and community prosperity, especially for lower-wealth households and communities of color that have been hardest hit by the crisis.

Woodstock Institute uses its experience at the local level and expertise in fair lending, wealth creation, and financial reform to conduct research, analyze policies, and educate the public on the causes and impacts of the crisis. Ultimately, our work is also about advancing solutions with our community partners and policymakers.

Our work is frequently cited in the media and relied upon by public officials and the private sector. The John D. and Catherine T. MacArthur Foundation recognized Woodstock Institute in 2007 for its creative and innovative work. The Foundation said that Woodstock “expanded economic opportunity for individuals and strengthened low-income communities, both in Chicago and nationally.”

Our commitment to those goals continues. We have documented many of the impacts of recent financial policies on our communities, but there is much more work to do. More than at any time in recent memory, there are opportunities to make a difference on a national scale. President Obama and leading policymakers have embraced the need to reform our financial system, protect consumers by creating a new consumer watchdog agency, and promote ways to help people save money and build wealth. Today, our work is increasingly about leading, supporting, and strengthening national efforts to implement those ideas—and improving the financial health of our communities.

In this annual report, we share stories that may be happening in your community—and in many communities around the country. A story on Woodstock’s foreclosure research shows how we expose the ways predatory lending is impacting communities—and how we can help turn that around. In an era when personal funds can be scarce, we tell the story of how our work protects consumers from potentially bad auto title loans. Finally, we look at how collaboration and consistent advocacy on key financial issues can impact critical policies—like the need to bolster the Community Reinvestment Act.

We must apply what we have learned to create a more just financial system. Over the years, we have successfully influenced key policies related to access to basic banking services, protection from predatory lending, and a wide range of community development and consumer protection issues. We must continue to work locally and nationally to achieve economic security for every family and community.

Dory Rand
President
Tackling a Crisis: 
Woodstock Focused on Foreclosures

More than a decade ago, Woodstock Institute released its first report on foreclosure issues. Since then, the organization has been prescient about how the mortgage market and predatory lending affect communities.

A Woodstock Institute report released in August of 2008 broke new ground. *Foreclosure Fallout: An Analysis of Foreclosure Auctions in the Chicago Region* examined how a growing number of foreclosures wind up back in the hands of lenders, who may not be prepared to sell them (these foreclosures become REO, or Real Estate Owned, properties). The result is often more vacant properties and a diminished housing stock. 

*Foreclosure Fallout* is the first study of its kind. The report represented an emphasis not only on foreclosure filings, but also on the broader question of what happens to these properties afterwards. Like many Woodstock reports, *Foreclosure Fallout* is an example of applied research designed to enhance neighborhood stabilization efforts. Woodstock’s next steps include working with communities and municipalities to identify solutions—and new local and national policies to deal with the problem.

We use Woodstock to keep our mayor and city officials up to date on what is happening in their markets.

JOE MARTIN Executive Director of Diversity, Inc., south suburban Chicago organization that assists municipalities on fair housing and fair lending issues

**+148.4%**

**INCREASE IN REGIONAL FORECLOSURE FILINGS IN THE FIVE MAJOR COUNTIES OF ILLINOIS FROM 2005-2007.**

Woodstock’s strategy is already showing results. Rob Grossinger, Senior Vice President at Bank of America in Chicago, says *Foreclosure Fallout* “helped us better understand foreclosure and vacant property issues—and how the REO market may struggle in certain distressed communities.”

“So many communities are experiencing foreclosures,” adds Joe Martin, executive director of Diversity, Inc., which assists south suburban Chicago municipalities on fair housing and fair lending issues. “I tell them all the same thing: Woodstock is a resource to identify how foreclosures have affected your community. We use it to keep our mayor and city officials up to date on what is happening in their markets.”

**Strong Track Record**

Since 1998, Woodstock has released numerous foreclosure reports and participated in a vigorous public dialogue on foreclosure and related issues at the regional, state and federal levels. For example, Woodstock has testified before Congress, served as an expert witness in a federal mortgage fraud trial, released research cited in dozens of newspapers nationwide, trained local organizations on mortgage lending, and much more.

When President Barack Obama discussed his loan modification plan early in 2009, he made reference to a Chicago study that showed how property values decline in relation to foreclosures. The study: Woodstock’s 2005 report *There Goes the Neighborhood: The Effect of Single-Family Mortgage Foreclosures on Property Values.*

Woodstock’s foreclosure reports have also been cited by many other entities—from a grassroots group in Chicago’s North Lawndale community to the Federal Reserve System.

“Woodstock has a national reputation for providing high-quality research with immediate policy implications,” says Josh Silver, Vice President of Research & Policy at the Washington, D.C.-based National Community Reinvestment Coalition. “Today, with the economy in dire circumstances, Woodstock is more important than ever.”

In Chicago, “information provided by Woodstock was a factor in the city being an early responder on foreclosure issues,” adds Craig Howard, who leads the team on foreclosure at the John D. and Catherine T. MacArthur Foundation, where he is the Director of Community and Economic Development for the Program on Human and Community Development. “That got our attention very early in the process.” In 2008, MacArthur committed $68 million to foreclosure prevention and mitigation in Chicago (a commitment that included funds for Woodstock to collect and analyze data on foreclosures in Chicago neighborhoods).

Meanwhile, *Foreclosure Fallout*—like all of Woodstock’s reports—reflects the organization’s continued commitment to research, policy and education. “There’s a common thread to our foreclosure research,” says Geoff Smith, Vice President of Woodstock. “We’re trying to understand the impact foreclosures have on neighborhoods. That story is relevant whether we are focusing on one block in a city neighborhood—or on how foreclosures impact the whole country.”

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GEOFF SMITH  Vice President of Woodstock Institute
Protecting Consumers: Woodstock Targets Auto Title Loans

An Illinois worker secures a short-term, high-cost auto title loan, but can’t pay it off. The lender takes his car—and the borrower still owes the lender money. Now, the borrower can’t get to work or to a doctor.

This scenario is all too common in Illinois and a number of other states in the Midwest, as well as the western and southern parts of the country. Fortunately, Woodstock Institute is researching and advocating on behalf of consumers impacted by auto title loans. Over the years, Woodstock has also worked to protect consumers from payday, installment and credit card loans. Many of the companies that offer payday loans also offer auto title loans.

Woodstock has a long record of combining careful research with effective advocacy in ways that can reform problematic financial products.

Jean Ann Fox Director of Financial Services, Consumer Federation of America

256%  
THE 2005 AVERAGE ANNUAL RATE ON AN AUTO TITLE LOAN IN ILLINOIS

$1,500  
THE 2005 MEDIAN LOAN PRINCIPAL

$1,536  
THE 2005 MEDIAN LOAN FINANCE CHARGE

Source: Debt Detour: The Automobile Title Lending Industry in Illinois, Sep. 2007
Research
The often-overlooked impact of auto title loans is documented in *Debt Detour: The Automobile Title Lending Industry in Illinois*, a report released in September 2007 that was prepared by Woodstock Institute and the Public Action Foundation.

The report demonstrated why we need to take action to protect consumers. One key finding of the report showed that, of the loans reviewed, “93 percent were structured so that the borrower made monthly interest-only payments and a final balloon payment of the entire loan principal.” These types of loans, the report concludes, “may contribute to a series of refinances or renewals commonly described by consumer advocates as a ‘cycle of debt.’”

“*Debt Detour* was a landmark study on the auto title issue,” says Lynda DeLaforgue, co-director of Citizen Action/Illinois and convenor of the Monsignor John Egan Campaign for Payday Loan Reform, which works closely with Woodstock. “We have learned through working with Woodstock that making an impact on this kind of issue really requires some good technical expertise and research.”

From Research to Advocacy
Using the *Debt Detour* report, Woodstock played a leading role in advocating for consumer protections in Illinois. In fact, with input from Woodstock and other organizations, the *Illinois Department of Financial and Professional Regulation (IDFPR)* implemented several new rules regarding auto title loans. These changes include:

- Lenders cannot loan out more money than a borrower can reasonably be expected to repay;
- Lenders must use a database to verify that the proposed loan agreement is “permissible”; and
- Interest-only loans, with large balloon payments, are prohibited.

A leading Illinois official confirmed the importance of Woodstock’s role in the consumer protection process. “Woodstock serves a unique role in providing research-based comments,” says Brent Adams, Secretary of Financial and Professional Regulation. “This is important because while the industry knows its own practices—consumers don’t.”

Sharing the Message
Woodstock also emphasizes a strong education component, and its research is shared with consumer advocates from around the country who attend national consumer organization meetings. “Woodstock has a long record of combining careful research with effective advocacy in ways that can reform problematic financial products,” says Jean Ann Fox, Director of Financial Services, Consumer Federation of America. “Other organizations could learn from this research or replicate it.”

We have learned through working with Woodstock that making an impact on this kind of issue really requires some good technical expertise and research.

LYNDA DELAFORGUE Co-Director of Citizen Action/Illinois and convenor of the Monsignor John Egan Campaign for Payday Loan Reform

Next Steps
Woodstock is dedicated to keeping a close eye on this issue. One key consideration in the future figures to be the lack of a cap on fees to lower the cost of auto title loans. Meanwhile, the Institute will keep tabs on data that reflect the impact of statewide changes.

“We will continue to monitor the implementation of the rules and to ensure that all consumers receive safe and sustainable loans,” says Tom Feltner, Policy and Communications Director for Woodstock Institute. “This is a strong example of how Woodstock is shedding light—and making an impact—on short-term lending policy issues.”

We will continue to monitor the implementation of the rules in the auto title loan industry and to ensure that all consumers receive safe and sustainable loans.

TOM FELTNER Policy and Communications Director for Woodstock Institute
Community Reinvestment: Making a National Impact

Now, Woodstock Institute is collaborating with a broad coalition of organizations to strengthen reinvestment through the Community Reinvestment Modernization Act of 2009. Based on its research, recommendations made by Woodstock and other organizations have been incorporated into the bill, which was introduced in March of 2009.

Meanwhile, Woodstock and its partners have established a strong voice for CRA in Washington, D.C. “We’ve always had very substantive discussions with Woodstock,” says Barry Wides, Deputy Comptroller for Community Affairs at the Office of the Comptroller of the Currency. “The work they do tends to be objective and helps us analyze how effective CRA is.”

More than 30 years after its passage, the Community Reinvestment Act (CRA) remains a major impetus for investment in lower-wealth communities.

56 million
AMERICANS THAT LACK ACCESS TO BASIC BANKING SERVICES.

1/10,000
LOW-INCOME ZIP CODES HAD LESS THAN ONE BANK BRANCH PER 10,000 PEOPLE IN 2004. HIGHER-INCOME ZIP CODES HAD FOUR TIMES AS MANY BRANCHES.

Source: Woodstock REINVESTMENT ALERT, March 2007
Collaboration is Key

The CRA modernization bill reflects how Woodstock Institute and other organizations are collaborating on a national vision to improve financial systems.

In recent years, Woodstock’s national work linked the organization with the California Reinvestment Coalition, the New York-based Neighborhood Economic Development Advocacy Project (NEDAP), and the Community Reinvestment Association of North Carolina.

“By collaborating, we strengthen our collective as well as our own local work,” says Sarah Ludwig, co-director of NEDAP.

Principles

Under Woodstock President Dory Rand’s leadership, Ludwig says, the multi-state collaboration “mapped out principles for regulatory reform—for financial institutions and their regulators.” These principles stress the importance of accountability, equal access, transparency and enforcement.

“The Community Reinvestment Act points out the need to serve low- and moderate-income communities because they have been redlined and disproportionately impacted by predatory lending,” says Rand of one key principle. “It’s important to remember that 30 years after CRA became law, equal access is still an issue we have to address.”

On CRA and other issues, Woodstock will keep striving to advance economic security and community prosperity through more responsive financial systems.

DORY RAND President of Woodstock Institute

Research Report

Woodstock’s recent study reflects these principles—and has informed the national debate on reinvestment. The report Paying More for the American Dream III: Promoting Responsible Lending to Lower-Income Communities and Communities of Color, released in April of 2009, is a collaborative effort of state and regional research, policy and advocacy organizations.

In this report, Woodstock recommends policies that would hold banks accountable, address racial disparities in lending, and expand the CRA to cover all institutions making mortgages (these and other recommendations have become part of the CRA bill). While past efforts focused on home mortgage lending, current efforts also emphasize the importance of basic banking services such as check cashing services, building a credit history, saving for college, and wealth creation.

“Woodstock supports the efforts of local and national reinvestment advocates with data and analysis that gives substance to their arguments,” says Calvin Holmes, executive director of the Chicago Community Loan Fund and a member of the Illinois Community Investment Coalition, an umbrella organization of CRA stakeholders in Illinois convened by Woodstock Institute. “That is extremely important as we try to leverage corporate and community resources to reverse an era of disinvestment.”

On a national level, one leader on reinvestment issues says that Woodstock is positioned to support regulatory financial reform through research and advocacy. “Woodstock has always struck me as different than your typical think tank,” says John Taylor, president and CEO of the National Community Reinvestment Coalition. “They know this work isn’t just about doing a publication—but creating tools in the arsenal for community change.”

Woodstock remains poised to address key financial needs. “Everybody needs a way to pay bills, get access to credit, and have a place to save and invest their money,” says Rand. “On CRA and other issues, Woodstock will keep striving to advance economic security and community prosperity through more responsive financial systems.”
Woodstock Institute

STATEMENT OF ACTIVITIES

Year ending December 31, 2008

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<th>Income Source</th>
<th>2008 Unrestricted</th>
<th>Board Designated Reserve Fund</th>
<th>Total</th>
<th>Temporarily Restricted</th>
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<td>Grants and Contributions</td>
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| Expenses                        |                   |                               |             |                       |         |
| Program services                | 630,241           | 630,241                        | 630,241     |                       |         |
| Administrative costs            | 87,699            | 87,699                         | 87,699      |                       |         |
| Total expenses                  | $ 717,940         |                               | $ 717,940   |                       |         |

Change in net assets $2,921 $2,921 (224,039) (221,118)

Net assets, beginning of year $54,352 $108,000 $162,352 $881,189 $1,043,541

Net assets, end of year $57,273 $108,000 $165,273 $639,150 $804,423

This statement is an excerpt from Woodstock Institute’s annual financial statements. For a complete copy of those financial statements, please contact Woodstock Institute.
OUR VISION

A just society in which everyone has an equal opportunity to achieve economic security and community prosperity and a just financial system in which everyone—including lower-wealth persons and communities, and people and communities of color—can safely and sustainably borrow, save, and build wealth.
Advancing Economic Security and Community Prosperity

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