My name is Horacio Mendez and I’m the President and CEO of Woodstock Institute. I’d like to start by commending the City Council on multiple fronts. The first are its attempts to increase the number of smaller financial institutions that the City can support through the municipal depository process. The second is to ensure that the City does business with depository institutions that align with its values through the introduction and passage of the Lending Equity Ordinance.

As it relates to the municipal depository process, and speaking from experience, applying can be complex and time consuming ... and this was true before the Lending Equity Ordinance. At a $15 billion US subsidiary of a global bank, we discussed the costs and benefits of applying to be a municipal depository, and the combination of having to set up new data collection and reporting processes in order to have a marginally profitable relationship wasn’t sufficient to justify the process. At a much larger global institution, it was a no-brainer – we had the systems and people in place to handle any and all forms of requests, including responsible banking ordinances like the LEO, with the hope that it would increase our chances of doing big deals for big cities.

Being on the other side of the fence now, we think it would be worth exploring the creation of a program where a city agency that’s not involved in the procurement process itself, or one or more non-profits under contract with the City, could provide technical assistance to banks that are interested but hesitant to apply. Banks and non-profits provided similar types of services to small businesses under the federal Paycheck Protection Program.

As to our general expectations regarding the performance of depository institutions doing business with the City, I want to try something different that is often uncharacteristic of Woodstock Institute when it comes to discussions about banks. I’m going to be nice.

Now ... before I’m nice and freak everybody out, I’d like to set some context:

- The excellent work by WBEZ and City Bureau showed us that banks need to work harder to find ways to originate more mortgage loans in the low- and moderate-income and minority communities of Chicago.
- We’re proud of the steps taken at the State level with the passage of the IL Community Reinvestment Act and the Predatory Loan Prevention Act, and the steps you’ve taken at the City with your Lending Equity Ordinance, that aim to close that gap.

With the current data we get from the Federal Government and what we'll be getting as a result of the LEO, we'll be able to work with you to identify the metrics for lending activity in the city that you find the most useful. If you tell us the metrics you want, we can provide the analysis and rank the institutions accordingly.
With that said ... we came up with our own assessment and rankings that include both home mortgage lending and small business lending to paint a pretty good picture of who is doing an above average job in helping our economy thrive.

On Slide 1...

- We see which depository institutions were performing above average in making loans to businesses with annual revenues less than $1 million dollars ... which is a common benchmark for defining small businesses.
- The banks on this chart represent 93% of loans by depository institutions to small businesses in Cook County
- Low-income is defined as 50% or below of the area median income, while Moderate-income is between 50 and 80%.
Let’s move to mortgages and Slide 2:

- The banks listed here represent ¾ of all mortgage lending by depository institutions in Chicago ...
- These are the 7 that performed above average as it relates to the percentage of mortgage loans they originated to minority borrowers ... and in this presentation, we define minority borrower to include people who identify as Black, Latino, Asian, Indigenous, or Native American.
In slide 3, we focus on the characteristics of neighborhoods by income level:

- Here, we take a look at the 5 depository institutions that performed above average as it relates to originating mortgages in low- and moderate-income census tracts.
- The slide speaks for itself ... but for example’s sake, let’s take a look at First Midwest Bank, 1 out of every 8 mortgage loans they originated were in a low-income census tract of Chicago (compare that to the average of 1 out of every 13) ... and about 1 out of every 4 were in a moderate-income census tract (where the average is about 1 out of every 5).
Slide 4 shows us the percentage of mortgage originations being made in census tracts where minority borrowers are in the majority.

- All of the 8 depository institutions on this slide come in at above the 39.5% average of mortgage loans in majority minority census tracts.
So here’s the big finale in Slide 5:

**Slide 5: Goldilocks Zone**
_Lenders who performed above average on multiple assessments that include mortgage and small business lending_

![Bar chart showing performance of different banks]

Even though we acknowledge that the average depository institution serving Chicago isn’t doing as good a job as many of us would expect, there are quite a few that are performing above the average. Our ultimate goal is to see that average increase year over year.

With that said, we wanted to see if there were any institutions that performed above average on all 4 of our analyses ... an area of performance we decided to call the Goldilocks Zone because it’s a “just right” mix of mortgage and small business lending performance ... and we have a winner!

Our last slide shows that the only bank that performed above average on all of the 4 sectors we analyzed was Citibank ... with First Midwest Bank coming in 2nd with 3 out of the 4 sectors, and a tie for third between Fifth Third and PNC Banks with above average performance in 1 mortgage sector and the small business lending analysis.

Our hope is that this kind of analysis and public discussion, along with added information provided by the LEO, can set a baseline of performance that we can use to assess and highlight those depository institutions that are performing better each year. Our ideal is to have each institution aiming to be in the Goldilocks Zone ... and for you to have clarity regarding how these institutions are performing when you make decisions regarding who the City should do business with.

Thank you.