WOODSTOCK INSTITUTE
Advancing Economic Security and Community Prosperity

# Chicago City Council Comments
# Subject Matter Hearing
# December 1, 2022

Good morning everyone –

My name is Horacio Mendez and I'm the President and CEO of the Woodstock Institute. I'd like to start by commending the City Council on ensuring that the City of Chicago does business with banks that align with its values through the introduction and passage of the Lending Equity Ordinance and through hearings and discussions like this one. I'm also encouraged to see more banks responding to the City's RFP.

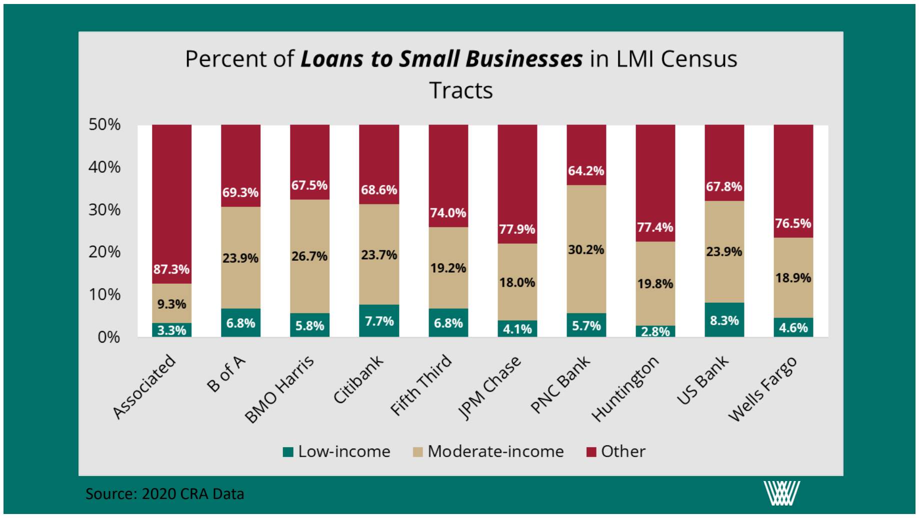
As a result of your efforts to make access to credit and closing the racial wealth gap a priority, Woodstock Institute and Neighborhood Housing Services of Chicago have been convening a working group of executives from banks, credit unions and mortgage companies to deconstruct the home buying process from the lending, appraisal, realty and capital markets perspective, identify obstacles in the way of low-income and borrowers of color, and make recommendations on how to overcome those obstacles.

We'll have more to share on that soon, but as to the lending performance of banks wanting to do business with the City, we used small business lending data specific to Cook County due to the limitations of publicly availability information, and 2021 mortgage lending data for the City of Chicago by the banks responding to the RFP ... which represent 71% of mortgage applications and 65% of mortgage originations in Chicago.

We compared them to each other in three fairly simple bands ... below peer, average, and above peer ... in a few key areas including mortgage applications (which gives us an idea of how much of an effort the bank is making to be visible and welcoming), loan originations (which is where the rubber meets the road), and the diversity of their lending based on the borrower and the neighborhood.

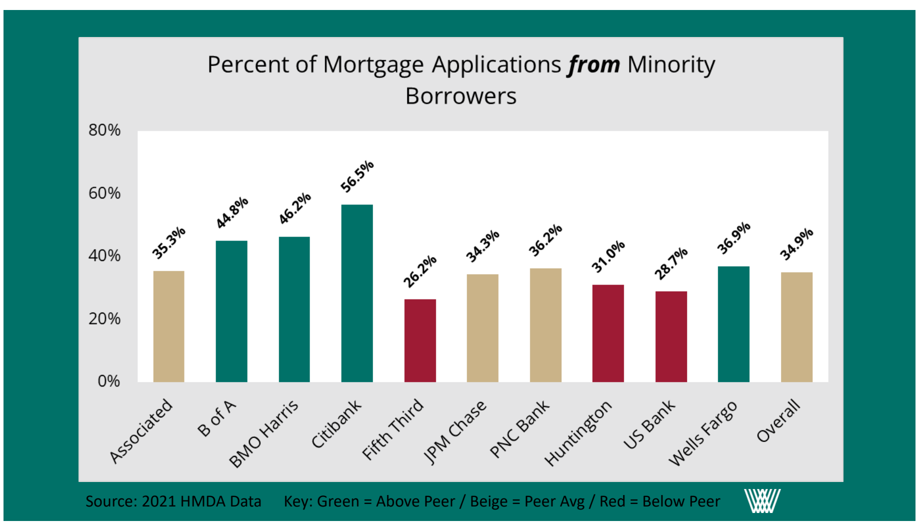
You can find more information on all lending institutions, including rankings, broken down by each community area on the Woodstock Institute website.

**On the 1st slide ...**



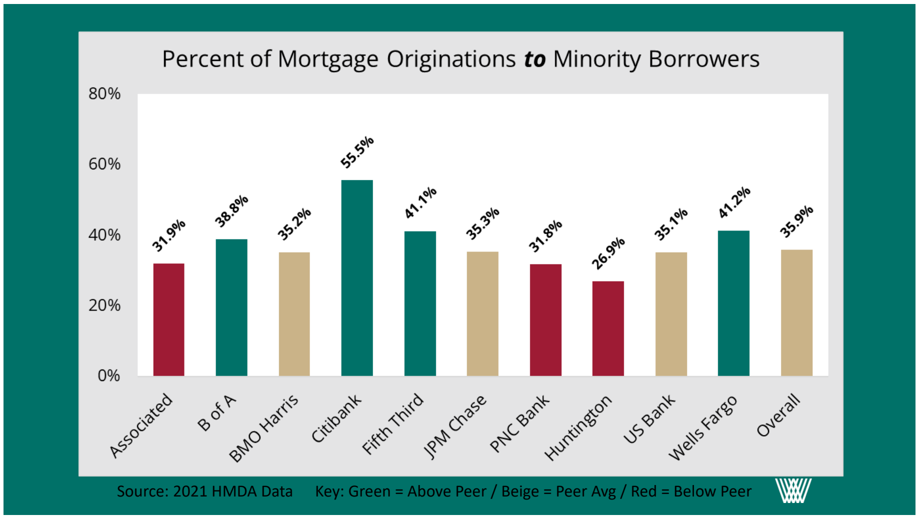

- ... we see which banks were performing better than peer in making loans to businesses with annual revenues less than $1 million dollars ... which is a common benchmark for defining small businesses.
- Low-income is defined as 50% or below of the area median income, while Moderate-income is between 50 and 80%.
- As you can see, there's a big range in terms of the % of loans to small businesses in low- and moderate-income tracts in Cook County ranging from 12% to nearly 36%.

**Let's move on to mortgage lending and the 2nd slide:**



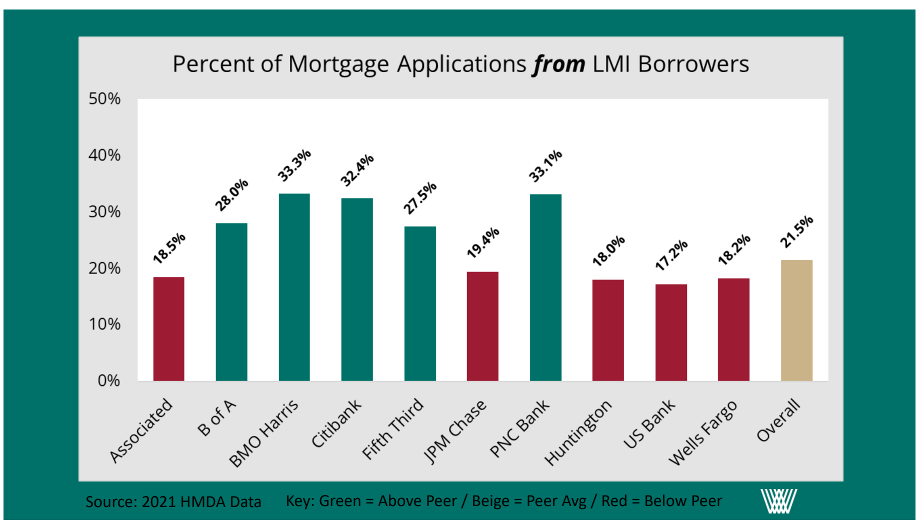

- In terms of applications received from minority borrowers, 4 responding banks perform above peer when compared with the other responding banks. ((We define minority borrower as those who identify as Black, Latino, Asian, Indigenous or Native American)
- I want to highlight one, in particular ... Citibank's data shows that it receives more than half of its mortgage applications from minority borrowers in Chicago. That's impressive.

**Slide 3:**



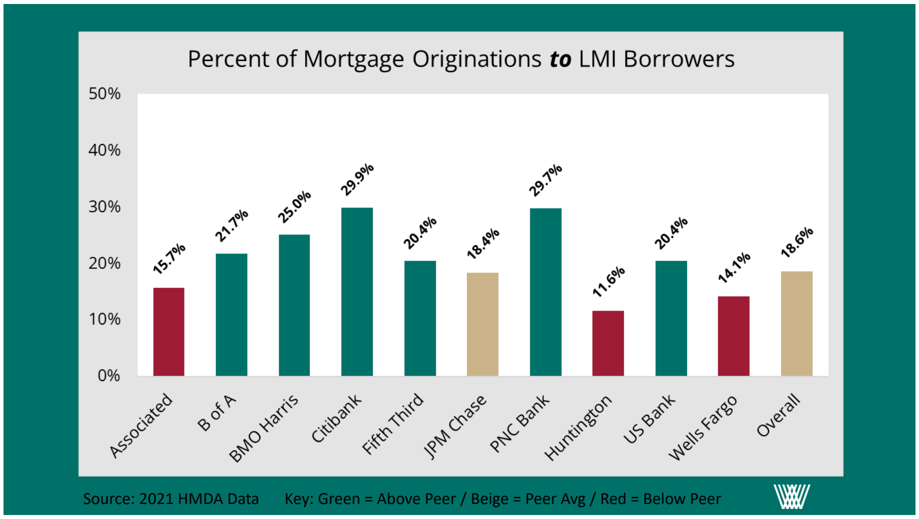

- As you can see in the next slide, in terms of turning those applications into actually approved and originated mortgages, one of those 4 drops off the list, but the other three remain above peer ... BofA, Citi and Wells.
- Surprisingly, FifthThird was the bottom dweller in terms of attracting applications from minority borrowers but performed better than average in terms of turning what it got into an actual loan.

**Slide 4:**



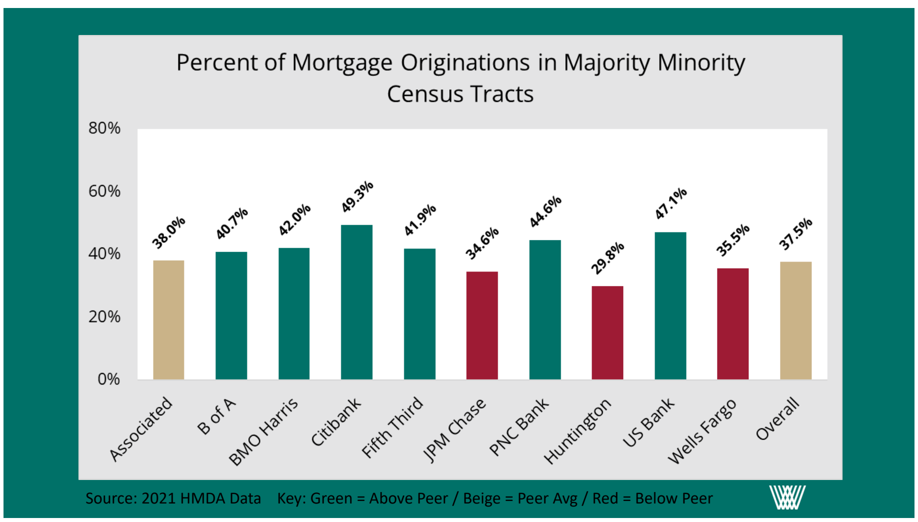

- In the next slide, we have 5 above-peer performers when it comes to the applications they receive from LMI borrowers.
- It should be highlighted that 3 of those banks' data shows that a third of their applications come from LMI borrowers ... BMO, Citi and PNC.

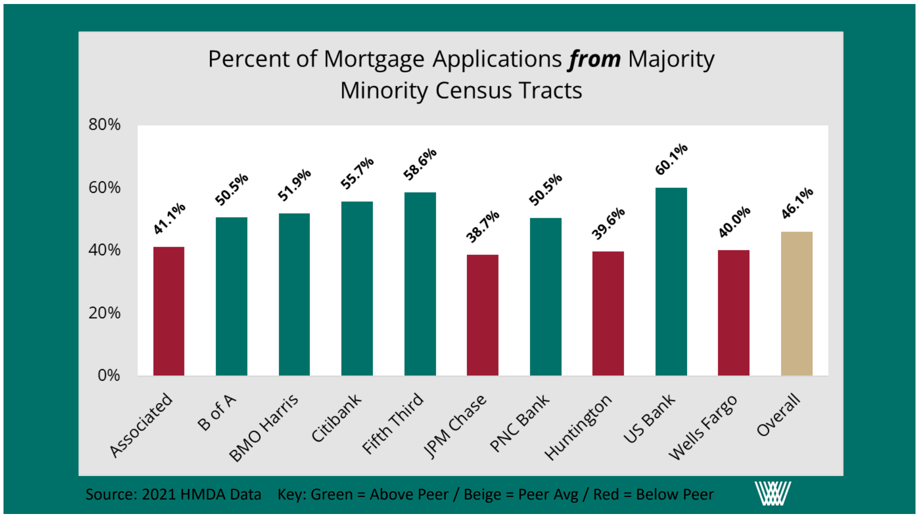
Slide 5:




- Those same 5 were effective in turning those applications into originated loans, and were joined by US Bank which, like FifthThird, went from the bottom of the barrel in terms of attracting applications to above average in terms of approving what applications it got from LMI borrowers.

Slides 6 and 7:






- Finally, in the last 2 slides we have 6 banks performing above average both in terms of originations (shown in this slide) and applications to census tracts that are majority minority (shown in the next slide).
- What's interesting to me is that each of these institutions are receiving over half of their mortgage applications in Chicago from census tracts that are majority minority ... say what you want about redlining, but this speaks to the effort that many of these banks are making in at least being accessible to minority communities.

So here's the big finale. Even though we acknowledge that the average bank serving Chicago isn't doing as good a job as many of us would like, there are quite a few that are performing above average. Our ultimate goal is to see that average increase year over year ... and I think this data shows improvement, especially as this information is being made public in venues like this.

Like last year, we looked to see if there were any institutions that performed above average on all of our analyses. This year, we have a tie between Bank of America and last year's champion, Citibank.

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 banks that are performing better each year. Our ideal is 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 for the opportunity to share this information with you.