"BANK STRUCTURE AND THE PUBLIC INTEREST IN URBAN CENTERS"

An Advance Summary of Research and Recommendations
for Model Legislation

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<u>DRAFT - FOR DISCUSSION ONLY</u>

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SUMMARY

I. Disclosure data collected by the City of Chicago and the State of Illinois reveals that the five largest Loop banks have failed to reinvest in Chicago's neighborhoods even though they have collected substantial deposits from them. In spite of this fact, they have waged an aggressive campaign for several years at the federal, state and local level to gain the privilege of collecting more deposits through the use of branches, and, more recently, electronic terminals. Granting banks more privileges without guaranteeing at the same time that neighborhoods' right of access to credit will be insured will only lead to increased flows of capital out of credit starved areas.

II. Research conducted during the last eighteen months indicates that there are a range of alternatives available to public policy makers which could insure continued access to credit for inner-city areas. While these proposals are being sharpened by researchers, debate about their purposes and operation needs to take place among and between consumers, public officials and lenders.

III. Voluntary attempts on the part of lenders to address the critical issues -- even when dramatic and

FORTHRIGHT, AS IN PHILADELPHIA, PENNSYLVANIA[1] -- WILL NOT BE ADEQUATE TO REDRESS THE IMBALANCE OF CAPITAL, CREDIT, AND MANAGERIAL TALENT WHICH EXIST TODAY IN OUR MAJOR METROPOLITAN AREAS. <u>NEW STRUCTURES, WHICH CAN SERVE AS DELIVERY SYSTEMS FOR CAPITAL AND CREDIT TO INNER-CITY AREAS, MUST BE DEVISED AND MADE PART OF THE REGULATORY STRUCTURE WHICH GOVERNS OUR BANKING SYSTEM</u>.

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[1] SEE APPENDIX A

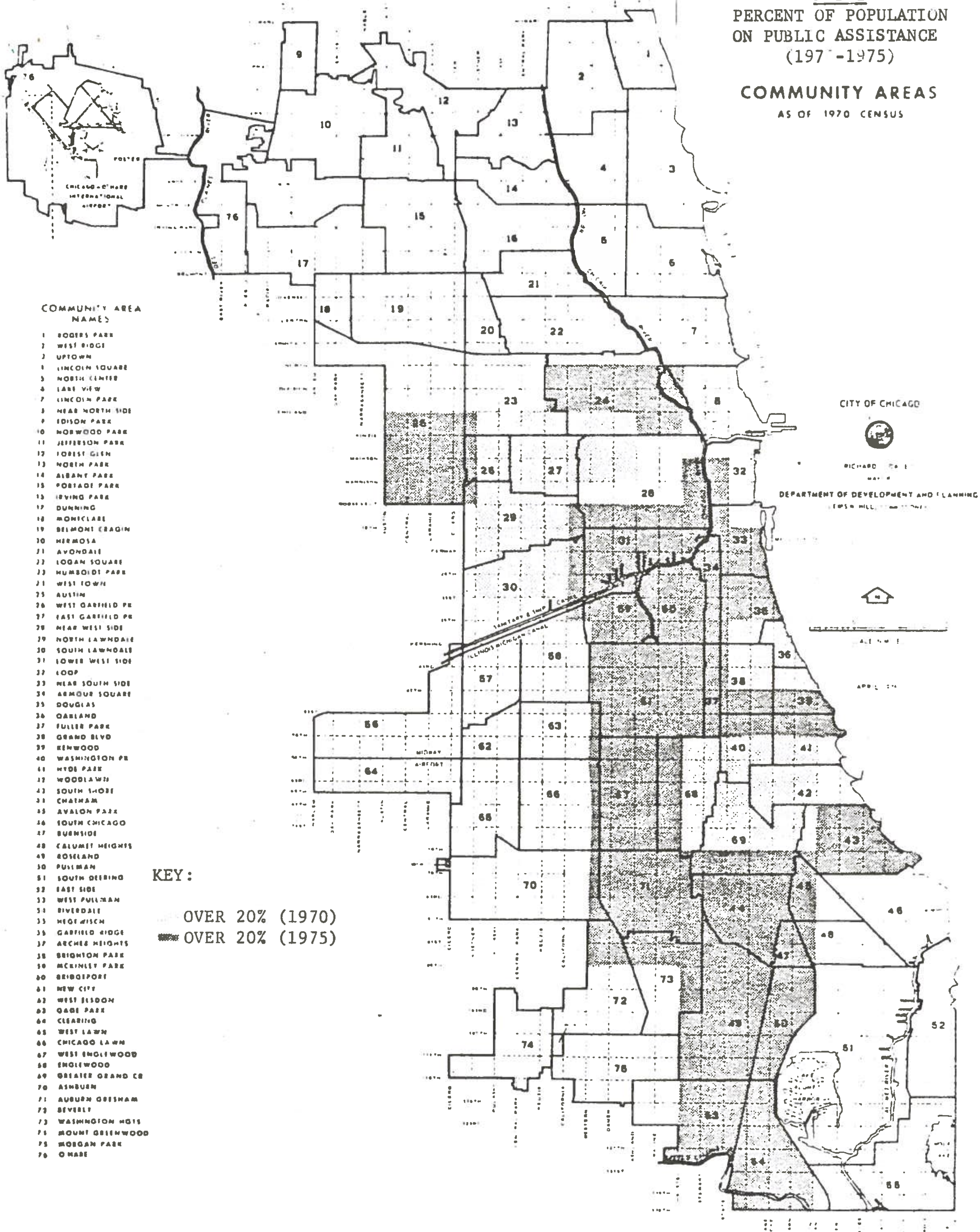
Introduction

Woodstock Project is the program arm of the Scheinfeld Foundation, and was established in 1973 with a mandate to do research about alternative public policies which would address the dual problems of discrimination in housing and investment. Since that time it has worked with other institutions--such as the Center for Urban Studies--to develop a clear analysis of how the process of dis-investment from the city and corresponding investment in the suburbs works: Who are the actors that channel capital out of cities? What constraints and incentives lead them to do so? What alternative structures can be devised to reverse and/or ameliorate this trend?

The current research project on the relationship of banking structure and the public interest began in earnest early in 1975. In January of that year, the Project sponsored an invitational conference on the subject entitled, "The Public Interest Implications of Branch Banking In Illinois." The primary assumption of those who attended was that many communities in Illinois do not have adequate public and private credit available to their residents and institutions to insure their viability. Two conclusions emerged from the conference: (1) that the current banking structure is not adequate to guarantee credit availability to most inner-city areas; and (2) that the cost to the public of continued failure to do so was rapidly creating a financial crisis for the city and the state due to rising expenditures for welfare, unemployment and municipal services.

Chicago, like other urban centers, has become the repository for the region's working poor, minorities, and economically dependent. According to 1970 census data, Chicago's population was 34% non-white. While the Cook County geographic area enjoyed an overall 17% increase in employment from 1957 to 1972, Chicago lost 4% of its jobs during the same period. In 1969, the household income of 60% of

MAP 1
PERCENT OF POPULATION
ON PUBLIC ASSISTANCE
(197 -1975)

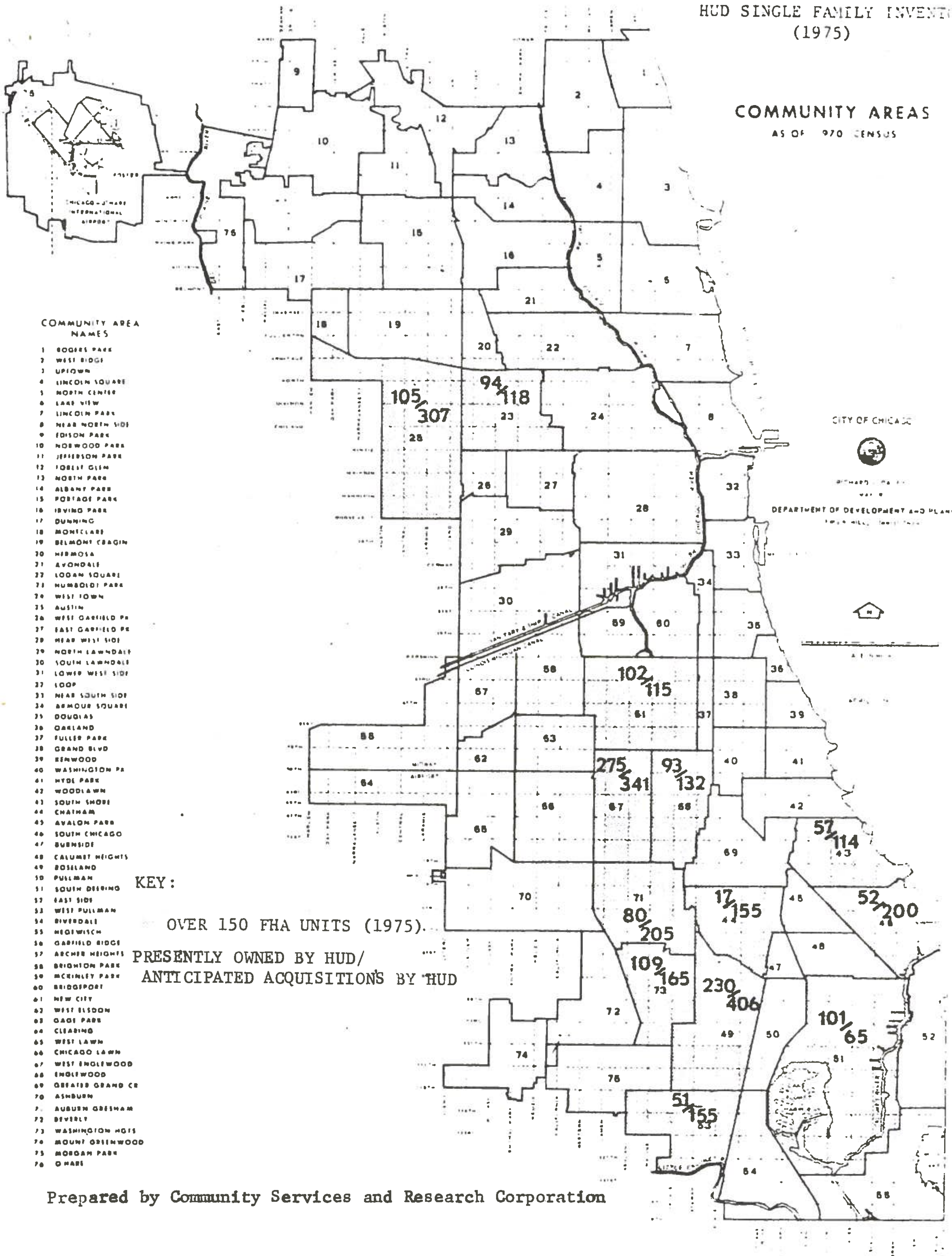


Prepared by Community Services and Research Corporation, Chicago.

MAP 2

HUD SINGLE FAMILY INVENTORY

(1975)



KEY:

OVER 150 FHA UNITS (1975).

PRESENTLY OWNED BY HUD/
ANTICIPATED ACQUISITIONS BY HUD

Prepared by Community Services and Research Corporation

Chicago's units was less than $10,000 while the figure was only 36% in the suburbs. Approximately 19%, or about one out of every five Chicagoans is on welfare[1] (see Map 1). Between 1960 and 1970, the median home value (figured in 1970 dollars) in Chicago dropped by 8.2% while in the suburbs it increased by 5.2%. The City of Chicago Department of Development and Planning estimates that by 1975 the city was losing housing units at the rate of approximately 19,000 per year. (See Map 3).

It is against this backdrop showing a major urban center losing its human, housing, employment and financial resources that the increasing conflict between lenders and community groups over the question of redlining has taken place. As the debate continues, data collected as a result of new city and state disclosure laws makes it evident that lenders -- and particularly commercial banks -- are collecting far more deposits from inner-city residents than they are returning to those residents in the form of loans.

In addition, it is clear that although savings and loans and neighborhood banks have been the primary target of anti-redlining groups, it is for the most part in fact Chicago's large, Loop banks that have the lowest loan/deposit ratio in the neighborhoods. (See Tables I, II). The most recent disclosure data collected by the State indicates, for example, that not only do the five largest Loop banks have only 3.1% of their total assets in housing loans, but that in addition, 84% of those loans were made in the suburbs. (See Table III).

One of the main responses of lenders to community groups who push for a greater return on their deposits in the form of loans to their areas is that the risks are too high to lend in inner-city neighborhoods. Suburban loans, on the other hand, are perceived by lenders as being a sound investment. We have examined the default rate of those loans made in accordance with given banks' present lending policies, and note that present assumptions about suburban loans being low risk bear further examination.

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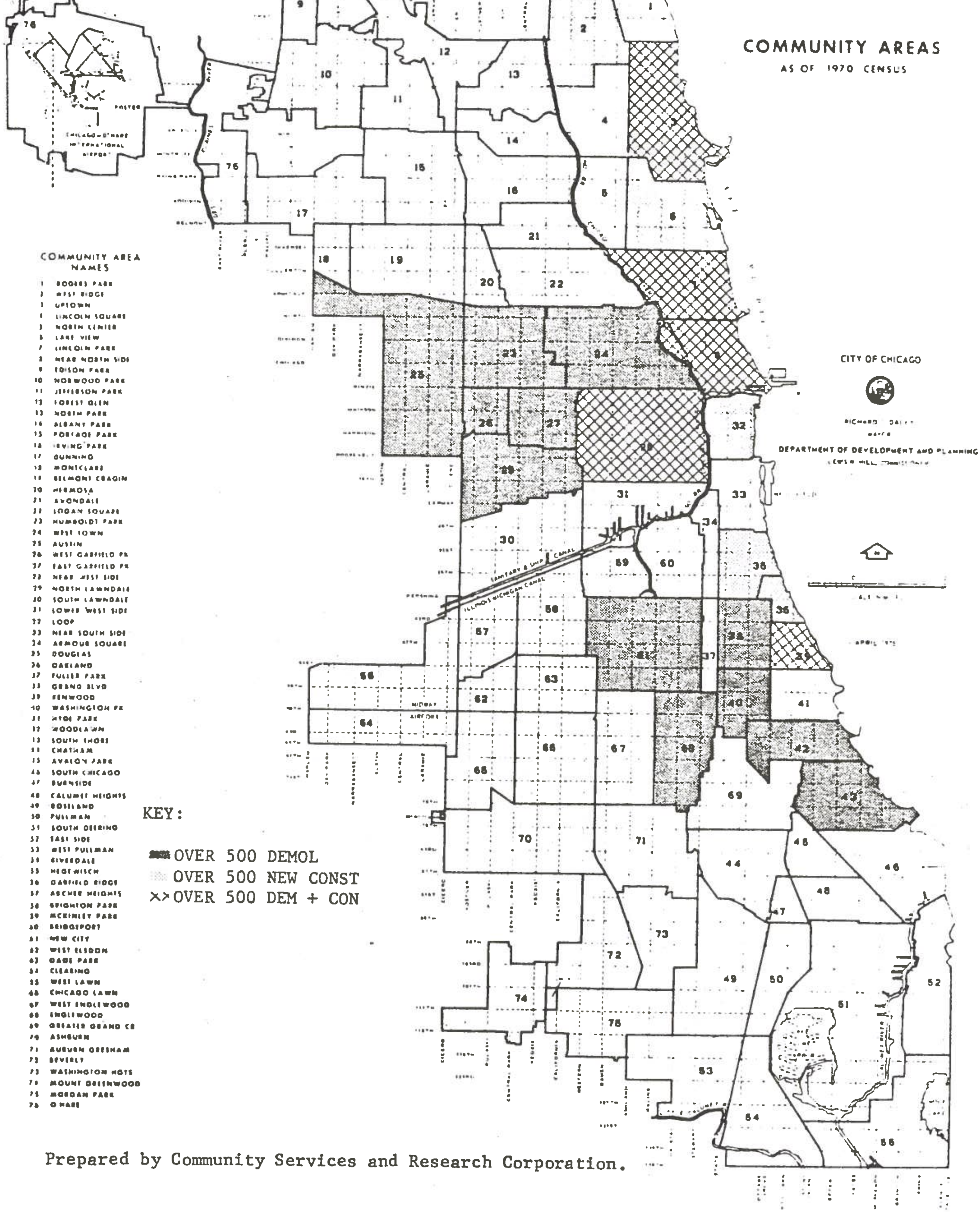
1 deVise, Pierre, "The Spreading Blight of Poverty in Chicago," August, 1975.

MAP 3

DEMOLITION/NEW CONSTRUCTION
(1971-1974)



Prepared by Community Services and Research Corporation.

A substantial portion of the $3.2 billion lost on bad loans by the total banking system in 1975 was on loans made to Real Estate Investment Trust (REIT) -- most of whose investment properties are located in the suburbs. In addition, none of the banks that were forced to close during 1975, and not one of the banks on the Comptroller of the Currency's "problem banks list" had a significant portion of their portfolios invested in inner-city areas.

It is important to note that even with the substantial losses suffered by the banking system last year, the profitability of banks continued to increase. According to Keefe, Bruyette and Woods, bank stock underwriters, twenty-four of the largest banks in the country -- representing a cross section of those institutions which have over $1 billion in assets -- had a combined profit increase of 8.4% in 1975. (The total losses for this group of banks, incidentally, was in excess of $1.4 billion.) The underwriters also reported that 1975 was the fifteenth consecutive year that the earnings per share of this group of banks increased.[1]

Banks Profitability Is Enhanced by Public Policies

Approaching the problem of stimulating inner-city reinvestment through additional regulation, it is argued by many bankers, violates those institutions' right to pursue lending policies in a free market which will earn their investors a reasonable return and protect their depositors money. The fact is, however, that banks impressive record of profitability and safety of deposits is enhanced by public policy.

1. State and federal regulatory agencies protect the markets of banks and savings associations.

2. The interest rates which banks and savings associations can pay to depositors are controlled by the Federal government.

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1 Rose, Sanford, "Why No Times Are Bad Times for the Banks," Fortune (June, 1976).

3. A Federal deposit insurance system provides insurance up to $40,000 per depositor thereby making it possible for bank managers to hold higher ratios of deposits and loans to invested capital than they would be able to if depositors felt they had to examine the financial condition of their bank.

4. Consumer confidence in banks is maintained in large part because federal and state regulatory agencies examine banks regularly. As a result of these and other regulatory policies, the assets of banks in the ten most populous states increased an average of 124% between 1963 and 1973 (See Table IV). It is clear that our banking system's regulators have protected those institutions, but not at all clear that they have protected the interests of especially inner-city consumers.

Alternative Approaches to Guarantee the Public Interests

Historically the public policy approach used to guarantee equal access to critical resources (such as electric power and natural gas) and services (communications) has been to create a utility. While this model is not without its faults -- as recent litigation brought by consumers over utility rate increases, for example, demonstrates -- the model has certain benefits to recommend it as one that should be seriously explored to redress the present inequities in the distribution of credit in our metropolitan areas.

1. A public utility could provide a structure for co-operative decision-making by lenders, government and consumers.

2. Properly established, it could make it possible for profits derived from providing credit to areas that are now deficient in that respect to be reinvested in neighborhoods that generate value through their residents deposits.

3. Since a public utility could not deviate from its chartered purpose to provide investment to credit deficient neighborhoods over a period of years, without

the consent of its managers, government and consumers, it could guarantee continued access to credit for inner-city areas.

4. Credit extended to critical areas through the utility would serve as a magnet to attract additional public and private investment.

5. It could restore some measure of competition to our heavily regulated banking system by giving inner-city residents an alternative depository for their capital.

6. Since a utility could be established with consumers playing an equal role in decision-making about investment choices with managers and government representatives, it could help demythologize the investment process, and thereby help create a group of financially sophisticated inner-city residents who could assume responsibility for the future viability of their communities.

Three separate variations on the utility model are being explored as part of the current research. All three have the same basic purpose: to insure that inner-city neighborhoods are guaranteed the right of access to credit on a continuing basis.

Model #1: Private or Public Utility to Own and Operate Neighbhorhood Banking Service Offices

Under this model, a city would establish a utility to own and operate Neighborhoods Banking Service Offices (NBSO). Each office would contain two critical elements: (1) an unmanned electronic teller; and, (2) an NBSO representative.

With the advent of technology which makes it possible to use Electronic Funds Transfer Systems (EFTS) to carry out routine banking functions -- making deposits and withdrawals; transferring funds from one account to another; making loan payments; etc. -- brick and mortar branch banks have become less important, and much less cost efficient. While the national debate continues about whether these machines constitute branches, it behooves those concerned about making the banking system more responsive to inner-city neighborhoods to understand what is at stake in their future use.

In and of themselves, they serve no useful function, except to make it more convenient for an already established customer of an institution to transact business with that institution. Accounts cannot be opened or credit extended (except for preapproved amounts of cash) by a machine operating in isolation. It has been argued by some neighborhood residents that a free standing EFTS is essentially a "vacuum cleaner" -- sucking deposits out of a community, and re-turning very little in the form of loans.

Under the utility model, we are exploring the possibility of recommending that the NBSO representative be an employee of the utility. His or her primary function would be that of banking services broker -- similar to an insurance bro-ker-- for residents who lived or worked in the NBSO area. Since these utility employees could not make commitments on behalf of banks, their role would be confined to that of credit broker and advocate. They could record and process necessary information about a loan applicant, and transmit this information to an appropriate bank. If, in the bank's judgement, additional information was needed, the broker could secure it on behalf of the institution, or put the ap-plicant directly in touch with the proper person at the institution. Once a loan was secured by an applicant, the NBSO representative would be well-situated to assist with servicing.

In order to qualify to use any EFTS and the services of the NBSO represen-tative, a bank could be required to have maintained a certain minimum loan/deposit ratio in the area around the NBSO for a prior period to be determined. Naturally, this minimum ratio would have to be maintained for the institution to continue enjoying the privilege of using the NBSO. In addition to maintaining its commitment to lend in the area, the bank could be required to help defray the costs of each NBSO it used through an annual lease amount.

Capitalization of the utility could occur in one of three ways: (1) through the sale of common stock to individuals with a portion of the dividends being tax exempt; (2) the municipality could use its general obligation bonding authority to raise the necessary capital; (3) the municipality could issue revenue bonds which would be sold to the participating lenders. Whichever of these alternatives seems most feasible after further research, we will recommend that in addition to having consumer representatives on the board of the utility, there be established an advisory committee composed of neighborhood residents for each NBSO.

Some examples of the kinds of questions about this model which need further inquiry are the following:

1. What are the likely economic effects of granting a monopoly on the use of EFTS in a city to a utility?

2. What additional federal, state and local legislation would be necessary to establish such a utility?

3. To what extent would controlled access to each NBSO serve as an incentive to banks to reinvest in these areas in order to become part of the system?

4. What constitutes a meaningful and appropriate loan/depost ratio to qualify a bank to lease the facilities and services of an NBSO?

Model # 2

City Owned Community Development Bank

This alternative flows from one as yet unanswered, but important, question about the utility model: Would the utility, in fact, function as a bank, and would it therefore, require a charter from the Comptroller of the Currency to operate? If additional research suggests that the answer is "yes," it might be more feasible for cities to establish their own community development banks. While the chartered purpose of such an institution could be basically the same as the utility -- to provide access to credit deficient areas in the city -- this model would probably require a higher level of capitalization on the part of the city.

Before recommending the establishment of such an institution, research needs to be done about the extent to which it could be designed to attract deposits away from private banks by paying tax exempt interest on savings accounts. This feature could effectively double a depositor's interest.

The Bank of North Dakota is the only existing state-owned bank. (Currently there are no municipally owned banks, although a proposal to establish one in Washington, D. C. has received support from several inner-city organizations.) North Dakota's bank was chartered in 1919 to assist farmers suffering from falling agricultural prices after World War I. It successfully intervened to save many farmers who were being threatened by foreclosures and lack of credit from private banks.

It is currently providing an essential market for small municipal and state bond issues, and its rate of return on assets (according to Forbes) is almost twice as great as any of the 100 largest banks in the U. S. In the opinion of its supporters, it has proven that a state government can be successful in the banking business while providing a positive competitive influence on the banking system to act in the public interest. Its support within the private banking community derives from the fact that it confines its role primarily to participating in loans with other banks.[1]

Two bills proposing the establishment of a New York State bank were introduced last year in that state's legislature. These measures would set up an institution capitalized by state funds and supported by public deposits. Both bills aim at solving two, not unrelated, problems: inadequate mortgage financing for so-called "redlined" communities; and, inadequate financing for municipal borrowing.

The proposed New York state bank would receive all public deposits in areas in which the bank established branches, and could also receive deposits from individuals and corporations. The bank would be required to confine its lending to businesses and individuals within the state.

Some of the additional questions which need to be explored concerning the establishment of a city owned community development bank are as follows:

1. Could cities tax state and federally chartered banks on the basis of their asset size to help support the bank?

2. What are the relative advantages of capitalizing such a bank through publicly subscribed stock versus city funds?

3. Could a city community development bank replace the public utility concept mentioned above by operating the NBSO's as branches, and thereby make it possible for NBSO personnel to act as loan officers in the neighborhoods?

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1 Shearer, Derek. "Public Control of Public Money," (Washington, D. C.: Institute for Policy Studies, 1976).

Model # 3:

Neighborhood Investment Trusts

A complimentary strategy which might be used to fund the operations of a city owned community development bank is the neighborhood investment trust. Under this model, a city could use capital derived from revenue bonds to make loans to trusts in each neighborhood needing additional credit. The loans would be used to buy stock in the community development bank. The bonds would be retired by the dividends paid on the trust's investments.

The board of each trust would be composed primarily of community residents who, rather than functioning simply in an advisory capacity, would make investment decisions. The trusts would also serve as structures through which other banks, insurance companies and pension funds could invest in neighborhoods. The advantage of this alternative is that it would add an important dimension to the NBSO located in the community. It could serve as a conduit for funding large scale commercial and industrial projects that required substantial amounts of capital, and a much higher degree of managerial skill, than NBSO could provide.

The two primary kinds of questions that must be explored in developing this alternative are as follows: (1) Where can sufficient managerial expertise be found and/or trained to provide the range of talents necessary to manage investment in communities that have not had adequate credit for a period of time? and (2) Can the community trust concept avoid the problem of placing neighborhoods in a destructive competition for capital?

* * * *

In this advance summary of our reinvestment research, we have tried to indicate some of the directions that need to be explored if reinvestment in urban centers is to be accomplished. While public debate about these particular models, and others that have the same purposes needs to go forward, additional public policy decisions which will have the primary effect of enhancing the profitability of existing lending institutions without guaranteeing additional access to credit by inner-city neighborhoods should be held in abeyance. The disparities in access to credit which exist already should not be allowed to increase as a result of hastily adopted public policies lest we find ourselves as individuals and institutions paying too high a social and economic price.

TABLE I-i
"INVESTMENTS OF CONTINENTAL ILLINOIS BANK
IN SELECTED CHICAGO NEIGHBORHOODS"

NEIGHBORHOOD (COMMUNITY AREA)	TOTAL TIME & DEMAND DEPOSITS	TOTAL RESIDENTIAL LOANS	PERCENT RESIDENTIAL LOANS TO DEPOSITS	TOTAL CONSUMER LOANS **	TOTAL COMMERCIAL-INDUSTRIAL LOANS	TOTAL ALL TYPE LOANS
ROGERS PARK (CA1)	$25,185,000	$ 56,000	.22%	$200,000	$5,763,000	$6,019,000
UPTOWN (CA3)	56,750,000	55,000	.1	5,553,000	745,000	6,353,000
LAKE VIEW (CA6)	64,081,000	224,000	.35	503,000	10,409,000	11,136,000
ALBANY PARK (CA14)	14,549,000	5,000	.03	229,000	261,000	495,000
HUMBOLDT PARK (CA23)	14,517,000	62,000	.43	281,000	7,844,000	8,187,000
AUSTIN* (CA25)	29,794,000	243,000	.82	898,000	19,572,000	20,713,000
NORTH LAWNDALE* (CA29)	6,737,000	39,000	.58	235,000	2,205,000	2,479,000
SOUTH LAWNDALE* (CA30)	8,629,000	26,000	.3	395,000	726,000	1,147,000
LOWER WEST SIDE* (CA 31)	6,744,000	5,000	.07	271,000	3,647,000	3,923,000
SOUTH SHORE* (CA 43)	8,290,000	75,000	.9	281,000	517,000	873,000
CHATHAM* (CA44)	5,547,000	78,000	1.41	305,000	49,000	432,000
SOUTH CHICAGO (CA46)	5,111,000	44,000	.86	110,000	1,000	155,000
ROSELAND* (CA 49)	6,530,000	49,000	.75	383,000	1,430,000	1,862,000
PULLMAN* (CA50)	3,543,000	26,000	.73	5,000	2,715,000	2,746,000
SOUTH DEERING (CA 51)	1,328,000	30,000	2.26	72,000	13,105,000	13,207,000
NEW CITY* (CA61)	7,776,000	42,000	.54	328,000	8,683,000	9,053,000

*Community Areas with over 20% of the population on Public Assistance 1970-1975, see Map 2.

**In the absence of better data, it can be assumed that a significant percentage of these loans represent credit extended to bank card customers at an annual rate of 18%.

TABLE I-i - continued

NEIGHBORHOOD (COMMUNITY AREA)	TOTAL TIME & DEMAND DEPOSITS	TOTAL RESIDENTIAL LOANS	PERCENT RESIDENTIAL LOANS TO DEPOSITS	TOTAL CONSUMER LOANS **	TOTAL COMMERCIAL-INDUSTRIAL LOANS	TOTAL ALL TYPE LOANS
GAGE PARK (CA63)	5,821,000	-	0	258,000	1,505,000	1,763,000
WEST LAWN (CA 65)	9,587,000	-	0	263,000	4,293,000	4,556,000
CHICAGO LAWN (CA66)	16,482,000	-	0	317,000	18,000	335,000
WEST ENGLEWOOD* (CA67)	2,702,000	107,000	3.96	413,000	75,000	595,000
GREATER GRAND CROSSING * (CA69)	5,887,000	73,000	1.24	225,000	387,000	685,000
AUBURN GRESHAM* (CA71)	5,492,000	122,000	2.22	462,000	728,000	1,312,000
BEVERLY (CA72)	20,101,000	2,000	.01	127,000	1,289,000	1,418,000
WASHINGTON HEIGHTS (CA 73)	2,346,000	77,000	3.28	517,000	546,000	1,140,000
MORGAN PARK (CA 75)	6,443,000	145,000	2.25	271,000	4,000	420,000
TOTALS	$ 339,972,000	$1,585,000	.47	$12,902,000	$86,517,000	$101,004,000

SOURCE: Material submitted by the Continental Illinois Bank pursuant to Chapter 7-34 of the Municipal Code of Chicago, on November 17, 1975.
As of this date, the information regarding time and demand deposits, consumer and commercial loans was reported for the period ending September 30, 1975, while residential loans were reported for the period ending December 31, 1974.

*Community Areas with over 20% of the population on Public Assistance 1970-1975, see Map 2.

**In the absence of better data, it can be assumed that a significant percentage of these loans represent credit extended to bank card customers at an annual rate of 18%.

TABLE I-ii
"INVESTMENTS OF FIRST NATIONAL BANK OF CHICAGO
IN SELECTED CHICAGO NEIGHBORHOODS"

NEIGHBORHOOD (COMMUNITY AREA)	TOTAL TIME & DEMAND DEPOSITS	TOTAL RESIDENTIAL LOANS	PERCENT RESIDENTIAL LOANS TO DEPOSITS	TOTAL CONSUMER LOANS **	TOTAL COMMERCIAL-INDUSTRIAL LOANS	TOTAL ALL TYPE LOANS
ROGERS PARK (CA1)	$ 47,043,000	$ 159,000	.34%	$1,528,000	$1,119,000	$ 2,806,000
UPTOWN (CA3)	68,429,000	113,000	.17	2,503,000	16,097,000	18,713,000
LAKE VIEW (CA6)	69,927,000	555,000	.79	2,777,000	2,050,000	5,382,000
ALBANY PARK (CA14)	21,903,000	68,000	.31	730,000	9,363,000	10,161,000
HUMBOLDT PARK (CA23)	14,148,000	-	0	598,000	419,000	1,017,000
AUSTIN * (CA 25)	49,877,000	230,000	.46	1,877,000	21,596,000	23,703,000
NORTH LAWNDALE (CA29)*	8,603,000	-	0	929,000	55,000	984,000
SOUTH LAWNDALE (CA30)	9,775,000	48,000	.49	451,000	4,655,000	5,154,000
LOWER WEST SIDE* (CA31)	8,413,000	-	0	275,000	2,227,000	2,502,000
SOUTH SHORE* (CA43)	21,171,000	29,000	.14	2,805,000	48,000	2,882,000
CHATHAM* (CA44)	14,871,000	-	0	2,225,000	573,000	2,798,000
SOUTH CHICAGO (CA 46)	5,680,000	19,000	.33	846,000	210,000	1,057,000
ROSELAND* (CA49)	9,332,000	19,000	.20	1,987,000	2,116,000	4,122,000
PULLMAN* (CA50)	1,790,000	-	0	291,000	138,000	429,000
SOUTH DEERING (CA 51)	3,048,000	-	0	438,000	10,000	448,000

* Community Areas with over 20% of the population on Public Assistance 1970-1975, see Map 2.

**In the absence of better data, it can be assumed that a significant percentage of these loans represent credit extended to bank card customers at an annual rate of 18%.

TABLE I-ii continued

NEIGHBORHOOD (COMMUNITY AREA)	TOTAL TIME & DEMAND DEPOSITS	TOTAL RESIDENTIAL LOANS	PERCENT RESI-DENTIAL LOANS TO DEPOSITS	TOTAL CONSUMER LOANS **	TOTAL COMMER-CIAL-INDUSTRIAL LOANS	TOTAL ALL TYPE LOANS
NEW CITY (CA 61)	$ 11,074,000	-	0	335,000	8,240,000	8,575,000
GAGE PARK (CA 63)	10,244,000	-	0	273,000	15,000,000	15,273,000
WEST LAWN (CA 65)	7,706,000	27,000	.35	296,000	1,812,000	2,135,000
CHICAGO LAWN (CA66)	17,069,000	-	0	449,000	186,000	635,000
WEST ENGLE-WOOD*(CA67)	4,622,000	49,000	1.06	791,000	-	840,000
GREATER GRAND CROSSING* (CA69)	18,700,000	-	0	1,506,000	762,000	2,268,000
AUBURN BRESHAM*(CA71)	9,195,000	153.000	1.66	2,049,000	176,000	2,378,000
BEVERLY (CA72)	14,776,000	87,000	.59	386,000	6,051,000	6,524,000
WASHINGTON HEIGHTS (CA73)	4,351,000	-	0	1,358,000	543,000	1,901,000
MORGAN PARK (CA75)	7,604,000	17,000	.22	696,000	2,089,000	2,802,000
TOTALS	459,351,000	1,573,000	.34	28,399,000	95,535,000	125,489,000

SOURCE: Material submitted by the First National Bank of Chicago pursuant to Chapter 7-34 of the Municipal Code of Chicago, on December 1, 1975. As of this date, the information regarding both the deposits and loans was reported for the period ending December 31, 19

* Community Areas with over 20% of the population on Public Assistance 1970-1975, see Map 2

** In the absence of better data, it can be assumed that a significant percentage of these loans represent credit extended to bank card customers at an annual rate of 18%.

TABLE II
"INVESTMENTS OF SELECTED NEIGHBORHOOD
BANKS IN THEIR HOME OFFICE AREA"

3ANK (COMMUNITY AREA)	TOTAL TIME & DEMAND DEPOSITS	TOTAL RESIDENTIAL LOANS	PERCENT RESIDENTIAL LOANS TO DEPOSITS	TOTAL CONSUMER LOANS	TOTAL COMMERCIAL-INDUSTRIAL LOANS	TOTAL ALL TYPE LOANS
3ANK OF RAVENSWOOD ## (CA4)	$26,029,000	$ 813,000	3.12%	$4,485,000	$3,283,000	$8,418,00
3ELMONT IATIONAL 3ANK *# (CA6)	27,643,000	859,000	3.1	684,000	1,378,000	2,921,00
3EVERLY BANK **# (CA72)	28,872,000	2,198,000	7.6	607,000	560,000	3,365,00
CHICAGO CITY BANK TRUST *# (CA 68)	15,963,000	484,000	3.03	1,395,000	1,036,000	2,915,00
DROVERS NAT'L BANK (CA 61) *#	26,723,000	70,000	.26	1,329,000	4,078,000	5,477,00
'IRST COMMERCIAL ANK *# (CA1)	17,298,000	55,000	.32	372,000	173,000	600,00
'ORD CITY BANK**# (CA65)	7,884,000	–	0	95,000	1,085,000	1,180,00
ERITAGE/ ULLMAN BANK **# (CA50)	9,612,000	219,000	2.28	144,000	169,000	532,00
YDE PARK ANK & TRUST O. *# (CA41)	25,529,000	2,324,000	9.1	573,000	1,496,000	4,393,00
NDEPENDENCE ANK OF HICAGO **# (CA44)	10,574,000	75,000	.7	194,000	531,000	800,00
AWNDALE RUST & AVINGS ANK *# (CA30)	10,378,000	185,000	1.78	506,000	151,000	842,00
ETROPOLITAN ANK & TRUST **# (CA 31)	12,505,000	96,000	.76	1,309,000	1,555,000	2,960,00

Deposits and Commercial and Consumer loans reported for the period ending September 30, 1975
*Deposits and Commercial and Consumer loans reported for the period ending December 31, 1974.
Residential loans reported for the period ending December 31, 1974.
#Deposits and loans reported for period ending June 30, 1975.

TABLE II - continued

,NK (COMMUNITY ,REA)	TOTAL TIME & DEMAND DEPOSIT	TOTAL RESIDENTIAL LOANS	PERCENT RESIDENTIAL LOANS TO DEPOSITS	TOTAL CONSUMER LOANS	TOTAL COMMERCIAL-INDUSTRIAL LOANS	TOTAL ALL TYP LOANS
,TIONAL BANK ' ALBANY ,RK **# (CA14)	$31,047,000	$362,000	1.16 %	$398,000	$153,000	$913,00
:PUBLIC ,NK **# (CA65)	9,827,000	481,000	4.89	1,587,000	392,000	2,460,00
:AWAY ,TIONAL ,NK *# (CA44)	7,459,000	131,000°°	1.75	493,000	548,000	2,059,00
)UTH SHORE ,TIONAL ,NK *# (CA43)	20,690,000	1,028,000	4.96	3,385,000	4,585,000	8,998,00
:EEL CITY *# (CA46)	12,082,000	193,000	1.59	671,000	1,208,000	2,072,00
)TAL	$ 300,115,000	$10,460,000	3.49 %	$18,227,000	$22,381,000	$50,905,00

)URCE: Material submitted by above named banks pursuant to Chapter 7-34 of the Municipal Code of Chicago.

*Deposits and Commercial and Consumer loans reported for the period ending September 30, 1975
:* Deposits and Commercial and Consumer loans reported for the period ending December 31, 1974.
! Residential loans reported for the period ending December 31, 1974.
:# Deposits and loans reported for period ending June 30, 1975.
°° Only home improvement and rehab loans were reported.

TABLE III

Institutions	Housing Loans in City and Suburbs	Percent of Assets in Housing Loans	Loans in Own Area	Other Chicago Loans	Suburban Loans
Group A*	$279.2	3.1%	-	$44.3 (15.9%)	$234.9 (84.1%)
Group B*	$123.3	9.1%	$37.5 (30.4%)	$31.8 (25.8%)	$54.0 (43.8%)
Group C*	$255.8	74.5%	$64.1 (25.0%)	$31.9 (12.5%)	$159.8 (62.5%)

* Group A: 5 downtown banks, assets $8,949 millions.

Group B: 7 neighborhood banks, assets $1,354.3 millions.

Group C: 4 savings and loans, assets $343.3 millions.

Figure 15. HOUSING LOAN PORTFOLIOS OF 16 CHICAGO AREA FINANCIAL INSTITUTIONS AS OF 3/1/76. ($Millions)
Source: Illinois disclosure reports.

TABLE IV

Bank Assets

Comparison of the Ten Most Populous States
Ten-Year Percentage Change
Figures Per 100,000 Population

State	POPULATION (000's)			BANK ASSETS MID-YEAR (000's)			BANK ASSETS PER 100,000 POPULATION (000's)		
	1960	1970	% change	1963	1973	% change	1963	1973	% change
1. California	15,717	19,953	+ 27.0	$34,182,594	$102,352,151	+ 199.4	$217,485	$ 512,966	+ 135.9
2. New York	16,782	18,241	+ 8.7	91,799,317	252,877,742	+ 175.5	547,001	1,386,315	+ 153.4
3. Pennsylvania	11,319	11,794	+ 4.2	21,860,133	55,436,609	+ 153.5	193,123	470,045	+ 143.4
4. Texas	9,580	11,197	+ 16.9	16,297,771	44,237,110	+ 171.4	170,130	395,091	+ 132.2
5. Illinois	10,081	11,114	+ 10.2	23,248,500	69,778,228	+ 200.1	230,615	627,841	+ 172.2
6. Ohio	9,706	10,652	+ 9.7	14,324,085	31,928,169	+ 122.9	147,575	299,739	+ 103.1
7. Michigan	7,823	8,875	+ 13.4	11,874,848	31,553,323	+ 165.7	151,790	355,526	+ 134.2
8. New Jersey	6,067	7,168	+ 18.2	11,154,034	27,212,725	+ 143.9	183,854	379,631	+ 106.5
9. Florida	4,952	6,789	+ 37.1	6,442,643	23,989,631	+ 272.4	130,112	353,339	+ 171.6
10. Massachusetts	5,149	5,689	+ 10.5	14,744,588	36,052,624	+ 144.5	286,381	633,703	+ 121.3

674.9B

Sources — Census Data 1960, 1970
— Polk's World Bank Directory 1963, 1973

Appendix A

Fact Sheet
Mortgage Criteria for Inner-City Philadelphia

The Philadelphia Mortgage Plan is a program initiated by the three major banks in that city, First Pennsylvania Bank, Philadelphia National Bank, and Philadelphia Savings Fund Society. The project stems from the banks' participation in the Philadelphia Partnership, a private, non-profit civic organization set up last year to take fresh approaches to specific urban problems.

The participating banks have established specific new lending criteria which will become part of their normal lending operations. Two key considerations exist in all mortgage applications - the financial standing of the borrower as it affects his ability to repay, and the property itself. Thus, mortgage lending policy changes in both these areas are the backbone of this new effort.

Each participant will bear responsibility for ensuring that its personnel are aware of the goals of the Philadelphia Mortgage Plan. Strong top management commitment, suitable organizational arrangements, and other internal adjustments, will cause staffs to respond with both productivity and energy to social demands.

I. Regarding Housing Units

Properties on which mortgages are requested will be appraised based on their structural condition and the condition of other homes on the immediate block. The following criteria will be regarded as favorable to mortgage lending. Primary consideration will be given to items (a) and (b), but properties that do not meet these standards may still be eligible for mortgage funds if a combination of other positive factors exists.

a. Abandonment and vacancy rate of no more than 10%;

b. Median property value of $6,000 in block;

c. The existence of a strong and cohesive neighborhood organization or community organization;

d. The presence of a non-profit developer who is rehabilitating abondoned units, or the existence of other ongoing program by public agencies lenders or private groups to improve or rehabilitate housing;

e. Cooperation of absentee owners with neighborhood residents to improve housing and make needed repairs.

II. Regarding Applicants:

a. Income of co-mortgagor will be recognized;

b. Confirmed income from welfare will be treated as effective income

c. Loan-to-value ratio: up to 90-95%, provided there is mortgage insurance, with a maximum PMI (private mortgage insurance) mortgage amount of $15,000;

d. Application will be handled by well-trained interviewers at a designated office of each participating bank;

e. Counseling organizations may be used to review homeownership applications where deemed necessary because of case-history;

f. Escrow for taxes, fire insurance and private mortgage insurance shall be included in monthly payments;

g. Mortgage terms will depend on loan amount and ability to repay.

III. Regarding Operations:

a. Any lender who is inundated by mortgage applications should advise the applicant that the case will be transferred to either of the other participating banks after the application is taken. Application fees will be transferred with application;

b. There will be a reconvening of the original participants of the program to analyze the effectiveness of the program. Community representation will be needed to assist in the analysis and advise whether the participating institutions have set criteria applicable to the program;

c. All participating banks agree to commit themselves to include these above criteria as part of their normal mortgage operations.

SOURCE: The Philadelphia Partnership, Philadelphia, Pennsylvania