COMMUNITY REINVESTMENT ACT STATEMENT

FOR

SOUTH SHORE BANK - CHICAGO, ILLINOIS

February 6, 1979

PREPARED UNDER CONTRACT BY
WOODSTOCK INSTITUTE
CHICAGO, ILLINOIS

TABLE OF CONTENTS

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*Indicates items that are required to be included in CRA Statements.

South Shore Bank

COMMUNITY REINVESTMENT ACT STATEMENT

INTRODUCTION

This statement of our lending activities and objectives in our community is required by the Federal Deposit Insurance Corporation (FDIC), the regulatory agency charged with implementation of the Community Reinvestment Act of 1977 (also known as Title VIII of the Housing and Community Development Act of 1977, Public Law 95-128) for insured financial institutions. The purpose of such statements is to provide a means by which the FDIC can determine whether these institutions are meeting:

> "their continuing and affirmative obligation to help meet the credit needs of their communities, including low and moderate income neighborhoods, consistent with safe and sound operation of such institutions."

As required, this statement was adopted by the Board of Directors of South Shore Bank at its meeting on January 27, 1979. The Board will review and modify this Statement at least annually.

The statement includes the following required components:

-- a delineation of the local community, with a map;

-- an itemization of the types of loans available to all borrowers and;

-- public notice about the operation of the Community Reinvestment Act.

In addition, this statement includes information encouraged but not required by the legislation:

-- a statement of the shareholders' neighborhood investment objectives;

-- an annual report on the volume and proportion of the bank's loans in the community, including a description of special efforts to meet community credit needs;

-- an analysis of unmet credit needs in the community including planned efforts to both further define and meet them and;

-- a description of the neighborhood improvement/renewal/development activities of three affiliates of South Shore Bank.

2. The Bank's Local Community

Delineation

The bank's local community is bounded by 67th Street on the North, Stony Island Avenue on the West, 87th Street on the South and Lake Michigan on the East. (See Figure 1- "Map of Local Community"). In addition to including community borders identified by civic and business groups this delineation takes account of census tracts and physical barriers, including a large park, Lake Michigan, a six lane thoroughfare with median and a major commercial strip.

Description[1]

South Shore contains 80,000 persons; most are black. The median family income is approximately $13,000, somewhat lower than the city-wide average, even though a large number of South Shore households have more than one full-time wage earner. The community also has about 20% of its population receiving some form of Public Assistance.

The housing stock is diverse. South Shore was constructed between 1910 and 1939, with little new construction since that time. Only six percent of the housing stock is less than 10 years old. The vast majority is rental. Of 22,000 housing units constructed before 1939, for example, more than 81% were multi-family. Today, South Shore's housing stock consists of approximately 32,000 units, 82.5% of which is rental. Most rental units are located in buildings of five or more apartments; more than one-fifth are in buildings of 50 or more units. Many of these large buildings anchor the corners and mid-blocks of otherwise single-family areas. Since many of these large buildings have experienced deferred maintenance, they make it more difficult to stabilize the single-family areas.

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1 For the last several decades South Shore has been defined as above with one difference: the Southern boundary has been 83rd Street. Various groups have raised the question of extending South Shore's boundaries to 87th. For purposes of this report, the Bank has defined its area to 87th Street. Demographic data, however, do not include the area between 83rd and 87th.

Small businesses in South Shore have great problems as well as potential. Once identified by many Chicagoans as the most exclusive neighborhood shopping area in the city, the strip shopping areas on 71st and 79th Streets have fallen on hard times. A mass exodus of merchants during racial transition in the late sixties and early seventies left retail areas in disrepair.

The neighborhood has a wide variety of community organizations, voluntary associations and institutions. In addition to the South Shore Commission, the oldest and largest organization, there are numerous block clubs, merchant associations, PTA's, churches, child care centers and several hospitals.

3. South Shore Bank: A Community Development Lending Institution

In 1973, the South Shore Bank was purchased by the Illinois Neighborhood Development Corporation (INDC) to provide excellent commercial banking services and to invest aggressively in the South Shore neighborhood. Bank management is measured by its performance in meeting both objectives profitably.

Bank management's philosophy

South Shore Bank management broadly considers every loan made in South Shore as a community development loan in that it contributes to the long-range economic vitality of the area. Certain categories of loans in the local community are assigned high priority due to their development impact. Annual objectives are set for new loan volume in these categories of loans, referred to as development loans:

single-family mortgage loans;
multi-family mortgage loans with a rehabilitation component;
home improvement loans;
small business loans (including commercial mortgage loans);
community organizations loans;
education loans and;
personal loans to South Shore residents.

A Neighborhood Development Center within the bank plans and manages this development lending activity, originating those loans which cannot be routinely handled by other lending departments. It also applies staff time to special projects to stimulate loan demand, particularly small business loans.

The Neighborhood Development Center defines its purposes as follows:

1. The overall purpose and measure of the Neighborhood Development Center (NDC) is the utilization of the credit resources of the South Shore Bank in a way that contributes to the redevelopment of the neighborhood.

2. NDC should service the credit needs of the neighborhood where there may be little credit demand but where the condition of credit need is apparent. Such credit needs should be served by a program of outreach and/or the generation of additional resources to produce credit demand.

Types of credit offered

The following kinds of credit services currently are being offered by South Shore Bank in its local community:

Real Estate Loans

single-family (1-4 unit) mortgages at 80% loan-to-value;
single-family (1-4 unit) mortgages at 90% loan-to-value with private mortgage insurance;
multi-family mortgages if rehabilitation is planned;
multi-family construction loans for rehabilitation of income properties;
multi-family construction loans for rehabilitation and conversion to condominiums;
condominium mortgages and;
loans to finance purchase of shares in cooperative housing corporations.

Commercial Loans*

business acquisition;
working capital;
additional fixed assets;
renovation;
expansion;
business relocation to or within South Shore and;
community organizations.

*Loans are made on the basis of one or more of the following: short and long term; fixed and floating rate; Small Business Administration guaranteed; revolving.

Consumer

homeowners (second mortgage);
home improvement (conventional and Title I);
automobile (new and used);
unsecured signature;
fully secured by savings or other collateral;
check-credit (preapproved line of credit activated by customer through checking account) and;
student loans (under Illinois Guaranteed Loan Program).

4. Periodic Report on Meeting Community Credit Needs

Although Community Reinvestment Act regulations indicate that inclusion in the statement of a "periodic report regarding (a bank's) record of helping meet community credit needs" is optional, the South Shore Bank hereby incorporates data about the volume and proportion of new and outstanding loans in the community into this statement.

New loan volume

The Bank keeps records of its new loan volume which has positive effects on its local community as follows (ranked in order of priorities established for 1978):

DEVELOPMENT LOAN VOLUME

Type of Loan	1977	1978	Planned 1979
Multi-unit rehab mortgage	$ 781,500	$ 1,711,125	$ 2,450,000
Commercial	625,196	1,080,926	1,800,000
Home Improvement	397,932	836,397	1,100,000
Single-family mortgage	1,762,523	1,656,247	1,700,000
Community organization	135,000	309,019	600,000
Student	247,962	314,975	350,000
Personal	205,080	467,074	400,000
TOTAL DEVELOPMENT LOANS	4,155,193	6,375,763	8,400,000

The volume of new development loans increased 53% in 1978 over 1977. A 31% increase is planned for 1979.

Percentage of loan portfolio in community

In the area of single-family mortgage lending, South Shore Bank has made significant local investments since it was purchased in 1973. As of June 30, 1978, 62% of all single-family mortgage loans outstanding were secured by homes in South Shore. In addition, 38% of all conventional home improvement loans and 45% of FHA-insured home improvement loans outstanding are in the bank's community. As a whole, loans in the community were 52% of the bank's total loans outstanding on December 31, 1978.

Special efforts to meet community credit needs

In addition to trying to respond affirmatively to loan requests by extending the various types of loans described above, the bank uses all available special credit programs and applies staff time to special initiatives to create financing opportunities and support neighborhood development.

Small business development

A staff consultant works with local merchants on merchandising, facade rehabilitation, inventory control and accounting systems. She also recruits new businesses to the neighborhood, such as a new Hallmark Card Store which opened in the bank building on Thanksgiving, 1978.

Bank staff helped to organize a 71st Street Revitalization Committee which has negotiated plans for $750,000 in street improvements by the City of Chicago, to be made in Spring, 1979, and which has received preliminary commitments of approximately $50,000 in city funding and $10,000 in private contributions to open a storefront Revitalization Center. The Center will provide demographic, technical and funding information to potential business investors and existing merchants and serve as a model of design conscious storefront rehab.

The Neighborhood Development Center also staffed the formation by the bank's Resident Advisory Council of a local development company, a vehicle which can pass through below-market rate, long-term loans for rehabilitation and equipment from the Small Business Administration. The South Shore Area Development Company has participated in investments of $750,000 to date and is processing an additional $2 million in investments at present.

A final example of Bank initiatives to revitalize commercial districts is its support to a group of local investors, the Phoenix Partnership, who have purchased and are rehabilitating a two-and-one-half block parcel on 71st Street. The bank financed both acquisition and the initial stages of rehabilitation.

Housing development

Two special efforts by South Shore Bank to facilitate housing development address the housing needs of low and moderate income persons.

The Jeffery Development Corporation, a non-profit corporation organized by Bank staff, and the South Shore United Block Club Coalition, worked together to buy, rehab and re-sell nine townhouses foreclosed by HUD. With a city grant and interest-free rehabilitation loan, $15,000/unit of rehab were sold for $23,500 each to nine buyers of modest means. All received South Shore Bank conventional mortgage financing.

The Parkside Banker program was an early bank effort to address the multiple problems of Parkside, the most deteriorated section of the community located in the far Northwest corner of census tract number 4302. Parkside was the first part of the community to undergo racial change and the first area from which credit was withdrawn in the period prior to 1973. In 1976, a bank employee was assigned to focus on Parkside to obtain in-depth knowledge of its resources and problems. As a result, a number of modest home improvement loans were made to resident owners and a successful appeal of real estate tax over-assessment was staffed.

To supplement bank resources for home and rehab mortgage lending, secondary market sources are now being developed. By selling its loans to the Federal National Mortgage Association and the Student Loan Marketing Association, the Bank's funds are replenished to make additional loans.

5. Assessment of Unmet Community Credit Needs

It is the policy of South Shore Bank not only to respond in a responsible manner to credit requests, but regularly to make an objective assessment of the community's credit needs and attempt to determine what steps can be taken to meet these needs. To date, the policy has been implemented by reviewing continually the utilization of its loan funds by the community, striving each year to increase substantially the volume of new loans in the neighborhood and reporting its progress publicly.

YEAR	NEW LOAN VOLUME	PERCENT INCREASE OVER PRIOR YEAR
1974	$ 1,130,300	NA
1975	2,850,834	152
1976	2,928,805	2
1977	4,155,560	42
1978	6,375,763	53

There are, however, other measures of a community's credit needs. During 1979, the Bank intends to expand its capacity to measure unmet community credit needs and to stimulate demand for credit by those who may have been reluctant to apply.

1. Number and dollar amount of loans requested of the Bank which it could not approve. Although loan requests are most often not approved because the applicant does not have an adequate ability to repay a loan, in 1979 the Bank expects to improve its data collection techniques, document the volume of loans rejected and continually review its guidelines to determine if policies should be appropriately modified. Currently available data indicates the following regarding applications approved:

	1977	1978
CATEGORY OF LOAN	% OF APPLICATIONS APPROVED	% OF APPLICATIONS APPROVED
Home mortgages	70	NA
Small business	20	20
Home improvement	NA	65

2. Number and dollar amount of loans not requested of the Bank. Residents often do not request needed credit for the following reasons:

   a. The Bank has not adequately communicated its interest in making loans. South Shore Bank began to advertise for auto loans in 1977 with an aggressive radio and newspaper campaign. To overcome the high cost of conventional advertising, in 1978 the Bank experimented with a speaking tour at block club meetings to encourage home improvement loans. These efforts will continue in 1979.

   b. The Bank has not dispelled the notion -- once widely held in South Shore -- that it is unwilling to make loans for home improvements, rehab projects and small businesses. As it overcomes this attitude through a visible, increasing pattern of rehabilitated residential and commercial properties, residents tend increasingly to use the Bank's credit facilities.

c. Large scale development projects have not been implemented. When these are in place, they will have the effect of stimulating small, local investors to invest their own resources and to take on Bank debt.

In addition to dealing with the above inhibitors to the utilization of Bank credit, the Bank can also independently document the extent of community credit needs by evaluating housing, income, physical and other data and make logical deductions both about the extent to which credit is needed and how it might effectively meet that need. In 1979, the Bank intends to study the question of credit required to make a substantive impact on the commercial and housing sectors and thereby to assure the neighborhood's prosperity. By categories of loan, the following comments on credit needs are relevant:

1. Small business lending. The difficulty of assessing and meeting credit needs in this category is well documented. The Bank has expended more funds and staff time in this than in any other neighborhood lending area since 1976. Although in 1978 there was a substantial increase in dollar volume of small business lending as the following chart indicates, there continues to be expressed within the community the need for "improved" commercial services.

YEAR	NEW LOAN VOLUME	% INCREASE
1976	$ 582,964	NA
1977	625,196	7
1978	1,080,926	73

Physical inspection by Bank staff and vacancy rates on retail strips support the community's perception of the need for additional credit extension in this area. It is clear that as of the end of 1978, the Bank's resource allocation to small business lending was not yet sufficient to result in an appreciable change in the perception and reality of commercial problems. The Bank anticipates that the dramatic physical improvements of the Hallmark Card store and the efforts of the Phoenix Partnership will generate added demand for Bank and local development corporation credit in 1979.

2. Home mortgage lending. The Bank has aggressively responded to single-family mortgage loan requests since it was purchased by current management in 1973. During that time it has financed approximately 50% of single-family applications it received. There is sketchy evidence

to suggest that a large portion of the other 50% have eventually been able to obtain conventional financing at other financial institutions. Since there may be, however, a need for non-conventional, government insured loans using FHA and VA programs, the Bank will evaluate home lending data from a variety of sources during 1979.

3. Multi-family rehab lending. During 1978 the Bank increased its multi-family rehab lending activity from $.8 million to $1.8 million in new loans, a 125% increase. However, the 1978 loans affected only 1.7% of the rental units in the neighborhood, most of which are older units in serious need of rehab. The Bank intends to encourage further activity in this area during 1979. To this end, it will seek to joint venture with responsible, local developers to rehab buildings both for rental and conversion to condominiums.

   The Bank also intends to finance improved housing for lower income families and expects to set volume objectives for this activity when the program is better defined. In addition, to deal with problems of displacement of residents, The Neighborhood Institute is considering various ways to ameliorate the problem, including the possiblity of purchasing a large multi-family building to house those who are dislocated until they can return to their rehabilitated building or find another apartment in South Shore.

4. Personal lending. As mentioned earlier, South Shore Bank considers any loan a development loan if it can contribute to the long-term viability of the community. In a viable community, residents must have access to credit to protect their investments and to enhance their life chances. South Shore Bank recognizes the need for its continued lending of a personal nature, especially in the following categories:

   a. Education loans. The Bank makes about $250,000 per year in government-insured, low-interest student loans. During 1979, the numbers of students interested in such a program but not currently being served will be determined. The Bank's participation in Sallie Mae should facilitate extension of student loans to more of these persons.

b. Home improvement loans. The Bank tries to make every home improvement loan requested and new loan volume has correspondingly increased each year. Communication of the Bank's willingness to extend this credit is the key since the neighborhood has an enormous capacity and need for rehab financing. Recognizing that the need far exceeds the current number of loans booked, the Bank must continue to publicize the availability of this type of credit

c. Personal loans for other purposes. The Bank recognizes that many persons have a need for additional credit but there is, in many cases, insufficient income against which to lend. Few persons earning less than $800 per month, for example, qualify for bank credit. For this reason, the Bank hopes to explore the formation of a community credit union that can make smaller loans more efficiently than a bank to help meet this need.

Efforts of South Shore Bank to Communicate With Public Regarding Its Performance

In conformity with the regulations, the South Shore Bank has obtained participation from its local community in preparing this statement. The Bank's primary source of continuing public ascertainment is through its Resident Advisory Board. This 19 member group was established as an advisory body to serve as a link between the "councils" for the nine geographic areas into which South Shore is divided and the bank's management. Although it has no formal authority, the Bank management is committed to responding to the Advisory Board's criticisms and suggestions about Bank operations, and to providing the Board with resources to assist it in spinning-off organizations and projects that the Board deems desirable for the comprehensive development of South Shore. In 1976, for example, the Advisory Board served as the catalyst for the establishment of the South Shore Area Development Company mentioned above.

The Advisory Board meeting on January 8th reviewed a draft of the section entitled Assessment of Unmet Credit Needs and commented on the delineation of community. They agreed with the delineation but commented that the decision years ago of the neighborhood's community organizations to not include three census tracts (4303, 4304, 4310) coded to the neighborhood by the city, should now be reviewed and reconsidered by neighborhood groups.

In addition, Bank management will circulate to and ask for comments on the statement from the South Shore Chamber of Commerce, South Shore Commission and the South Shore Ministerial Association.

6. Cooperation by South Shore Bank With Other INDC Subsidiaries

By itself, a commercial bank such as South Shore Bank is an incomplete vehicle for neighborhood development. In the opinion of the owners of the Illinois Neighborhood Development Company, the holding company which owns South Shore Bank, an effective development vehicle must have the capacity to initiate projects which commercial banks cannot. Thus, pursuant to amendments to the Bank Holding Company Act, the holding company established three non-bank subsidiaries. Although not a required part of this statement, information about how South Shore Bank cooperates with these affiliates to meet the credit needs of the community is hereby incorporated.

The Neighborhood Fund

As mentioned previously, when South Shore underwent racial transition in the late sixties and early seventies, it lost many of its small businesses. Replacing those businesses involves, most importantly perhaps, the creation of a new group of entrepreneurs in the community. In some cases, it has been possible to attract business persons into South Shore who had been located elsewhere, or who wished to establish additional businesses in the community. In other cases, the Bank has tried to extend financing to the important and tenacious group of merchants who have been in South Shore for several decades. In other cases, however, the Bank has been approached by persons who have never been in business for themselves, and who, understanding the vast market in South Shore for almost every kind of goods and service, want to become small business owners and operators. Since the Bank is sometimes not able to respond affirmatively to requests for small business financing due to the lack of equity available to those requesting financing, the INDC established the Neighborhood Fund (TNF).

TNF has qualified as a small business investment corporation (SBIC) pursuant to Section 301(d) of the Small Business Investment Act of 1958. TNF will make equity investments in businesses controlled by economically and socially disadvantaged persons in the community. This infusion of equity will improve the stability of the enterprises thereby helping them qualify for commercial financing from the Bank.

City Lands Corporation

Although the Bank has been aggressive in encouraging resident and non-resident housing developers to seek financing for acquisition and rehabilitation of properties in South Shore, many prospective developers apparently have concluded that either there are more predictable markets available to them elsewhere or a condition of their entry into South Shore is a financing proposal that the Bank considers not prudent. In response to this problem City Lands Corporation (CLC), a for-profit subsidiary of INDC, was organized to increase the number of rehabilitated residential and commercial properties available for rent or sale in South Shore.

CLC has the capacity to participate with independent developers by using subordinated debt or non-voting equity instruments. CLC's partnership with developers enables them to qualify for prudent Bank credit for the purchase and rehabilitation of substandard commercial and residential properties in South Shore. CLC will also act as an independent developer by purchasing, rehabilitating and selling former substandard properties to creditworthy investors.

The Neighborhood Institute

Unlike CLC, The Neighborhood Institute (TNI) is a not-for-profit corporation. It was established to engage in various community welfare activities which can improve the quality of life in South Shore thereby making the community a more attractive place for personal and institutional investment. One of its major responsibilities is to insure that low and moderate income persons currently residing in South Shore are the beneficiaries, rather than the victims, of the neighborhood revitalization stimulated by the Bank and INDC.

The activities of TNI complement those of the Bank in several ways. A Housing Resource Center established by TNI staff will assist homeowners, for example, in planning and acquiring financing for home improvements. Landlords will be given information about energy conservation thereby helping to reduce one of the major costs associated with owning income property in older communities like South Shore. In addition, TNI will work on the development of job training and employment opportunities for residents of the community thereby creating or increasing the income stream against which the Bank can lend.

COMMUNITY REINVESTMENT ACT NOTICE

The Federal Community Reinvestment Act (CRA) requires the Federal Deposit Insurance Corporation to evaluate our performance in helping to meet the credit needs of this community, and to take this evaluation into account when the FDIC decides on certain applications submitted by us. Your involvement is encouraged.

You should know that:

You may obtain our current CRA statements for this community in this office.

You may send signed, written comments about our CRA statements or our performance in helping to meet community credit needs to Milton Davis, President, South Shore Bank, 7054 South Jeffery Blvd.,Chicago, Illinois 60649, and to the Federal Deposit Insurance Corporation, Sears Tower, Suite 6116, 233 South Wacker Drive, Chicago, Illinois 60606. Your letter, together with any responses by us, may be made public.

You may look at a file of all signed, written comments received by us within the past two years, any responses we have made to the comments, and all CRA statements in effect during the past two years at our office located at South Shore Bank, 7054 South Jeffery Blvd., Chicago, Illinois 60649.

You may ask to look at any comments received by the Federal Deposit Insurance Corporation, Sears Tower, Suite 6116, 233 South Wacker Drive, Chicago, Illinois 60606.

You also may request from the Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429, an announcement of applications covered by the CRA filed with the FDIC.

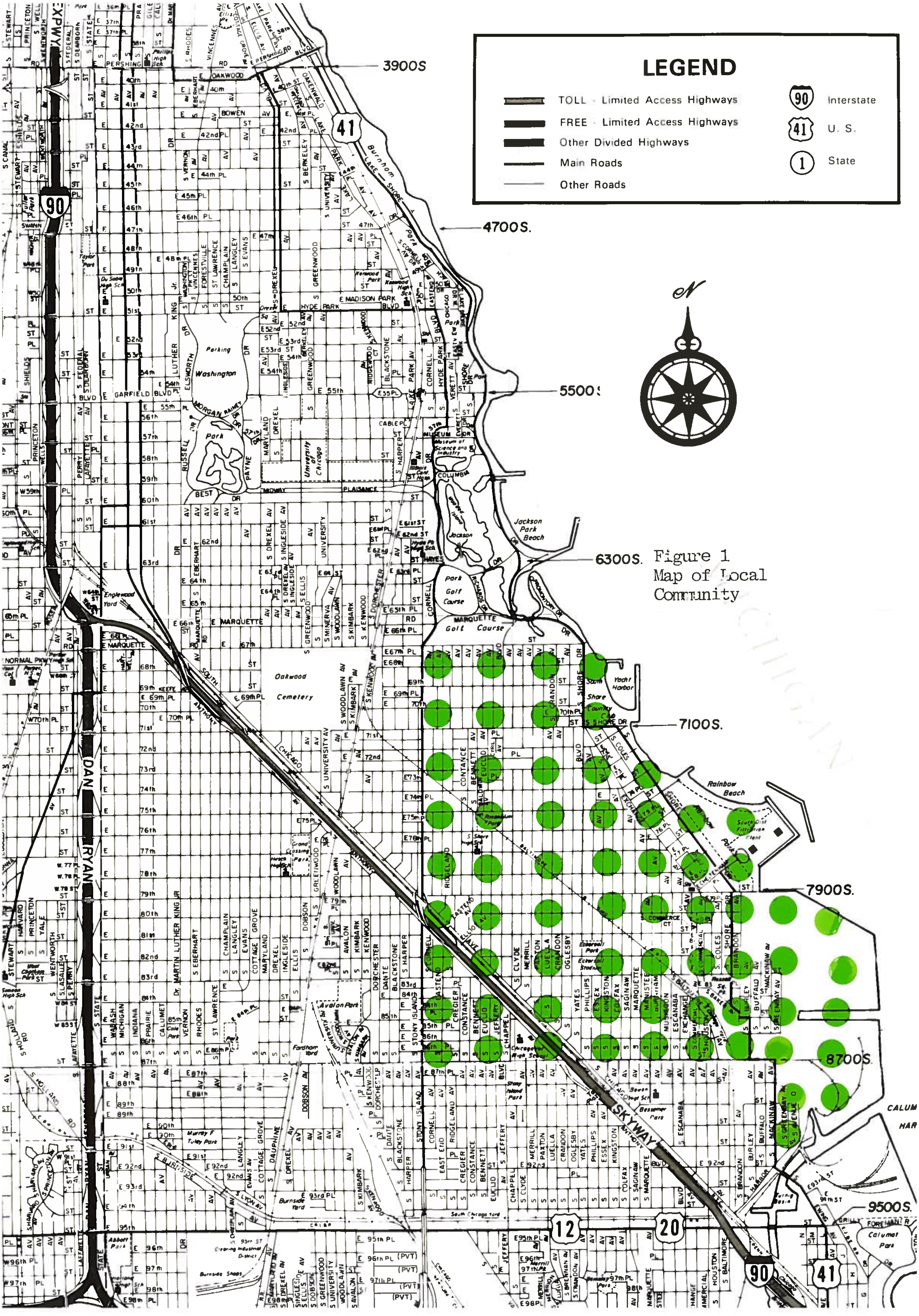

Figure 1
Map of Local
Community

The Woodstock Institute is a private corporation focusing on urban reinvestment and revitalization. The Institute provides planning, research and technical assistance services to financial institutions, public agencies and voluntary associations.

For more information, contact Dennis R. Marino, Associate Director, Woodstock Institute, 410 N. Michigan Avenue, Chicago, Illinois 60611, (312) 644-4469.

Inside Back Cover