CALIFORNIA REINVESTMENT COALITION

COMMUNITY REINVESTMENT NEWS

Fall 2005

WaMu Strengthens CA Reinvestment

As the nation's largest thrift seeks to expand its reach into credit card lending, it also has expanded its commitment to California communities.

In May of this year, Washington Mutual announced its intention to acquire Providian, the notorious credit card lender that suffered a rare and large fine from the Office of the Comptroller of the Currency for predatory practices in 2000. CRC raised concerns about this deal with Washington Mutual, as well as continuing concerns about WaMu's subprime mortgage lending, overdraft "bounce" protection fees, low level of branches in underserved neighborhoods and failure to set clear reinvestment targets for California.

A few years ago, when Washington Mutual was acquiring Dime Bank, it announced a unilateral, national 10-year pledge of $375 billion for community activities. At that time, CRC rejected this pledge in light of its ambiguous terms and lack of targeting.

With WaMu's latest acquisition of Providian, CRC was able to negotiate a more focused, California-specific agreement from Washington Mutual to:

- Offer a consumer-friendly Essential Bank Account statewide by June 2006. This account, promoted by CRC, SPIN, the San Diego City County Reinvestment Task Force and others, reduces some of the most significant barriers to opening accounts for poor people - Chexsystems records do not bar access to accounts; overdraft fees are virtually eliminated; there are no minimum balance requirements; and a reliance on money orders that people need, and that enable sound money management.
- Open five new branches in California in census tracts that are both low-to-moderate income AND minority census tracts by year-end 2006. From 2007 through 2010, the bank will target 30 percent of all new branches in LMI neighborhoods in the state.
- Conduct consumer research to enhance implementation of WaMu's "Best Priced Product" program, which seeks to ensure that borrowers receive the lowest priced loan for which they qualify.
- Develop a $2.5 million grant pool for special initiatives in California.
- Set statewide annual goals for its new "SBA Express" product starting in 2007, and explore the feasibility of entering the state guarantee loan program.
- Set a goal of $150 million for community development lending; agree to meet with CRC member experts to discuss how to make WaMu's community development loan product more accessible to California affordable housing developers; and develop an REO program so that properties that go into foreclosure can be reclaimed by nonprofits for affordable housing and preserved as community assets.
- Set an annual goal for community development investments, starting at $27 million in 2006.
- Explore whether it can provide greater notice at its ATMs to customers who might be overdrawing on their accounts and who are on the verge of incurring overdraft fees.

CRC hopes this agreement will enable Washington Mutual to better serve California communities, and recognizes the positive commitments WaMu has made.

CRC Celebrates!
Los Angeles Reinvestment
Nov. 17, 2005
For more information contact:
Victoria (415) 864-3980

Blocking Block

Efforts to thwart H&R Block's plan to establish a federally chartered savings and loan continued in early October at a hearing before the Office of Thrift Supervision.

Under new and weaker OTS regulations, a formal meeting on an OTS application is only granted in the discretion of the agency. The fact that the OTS agreed to call for such a hearing emphasizes the serious concerns swirling around this attempt by a fringe finance provider to become a bank.

CRC, several of its members and national allies joined in protest of the high cost financial products that H&R Block peddles in low-income communities and communities of color. For example, a consumer going into an H&R Block office for tax advice, who is entitled to a $2,000 tax refund, could end up with a refund anticipation loan (RAL) with an APR of more than 180 percent, costing $100

Continued on Page 2

In This Issue...

CRC Welcomes New Office and Marketing Manager

CRC has a new Office and Marketing Manager: Victoria-Lola Leon Guerrero. Victoria brings many wonderful skills and great enthusiasm to CRC. She replaces our wonderful Kalina Misi who helped bring CRC to new levels of outreach and effectiveness over the last eight years.

Victoria is a graduate of the University of San Francisco, where she was editor in chief of the *San Francisco Foghorn*, USF's student-run weekly newspaper. She has been a writer at several publications, including *The Oregonian,* a Pulitzer Prize-winning newspaper in Portland, Oregon, and the *Pacific Daily News*, Guam's leading daily newspaper. Victoria recently published her first children's book, "Lola's Journey Home," with a grant from the Guam Humanities Council.

The Board of Directors and staff of the California Reinvestment Coalition are very excited to have Victoria on our staff.

Bank of America Pays for Denying Overtime Wages

Bank of America loan department workers in California sued the bank over claims that they were wrongly denied overtime pay.

Bank of America has agreed to settle the lawsuit and will be paying as much as $9 million to the plaintiffs.

The class-action suit was filed in federal court in San Francisco, and stated that the bank underpaid account executives, trainees and other workers selling mortgages and personal loans. California's wage-and-hour laws required the bank to pay overtime to the loan sellers, who were paid solely through commissions.

Because many California workers are eligible for overtime pay under state law, salaried and commissioned workers have filed hundreds of class action lawsuits against companies in California seeking overtime and other uncompensated pay. Other companies that have settled similar lawsuit brought by California brokers include Merrill Lynch & Co, which settled for approximately $37 million, and Allstate Corp., which settled an overtime lawsuit for as much as $120 million.

Block Charter continued from page 1

for a loan lasting less than two weeks. H&R Block brokered more than four million RALs in 2004, earning more than $174 million on them.

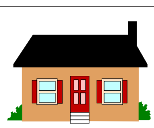
CRC, its members and allies were invited to testify at a hearing before the OTS. The OTS called on hearing participants to address 6 issues of concern:

- Whether subprime lender Option One Mortgage ensures that borrowers receive the best loan product for which they qualify;
- HMDA home loan analysis for Option One Mortgage and H&R Block Mortgage;
- Refund Anticipation Loans and the potential for the Thrift's deposit products to reduce RAL activity;
- The relationship with H&R Block and check cashing companies such as Ace Cash Express;
- H&R Block's privacy practices relative to the confidentiality of taxpayer information;
- The Thrift's Community Reinvestment Act Plan, relative to its community reinvestment and its currently identified assessment areas.

CRC, Consumer Federation of America, Community Reinvestment Association of North Carolina, Greenlining Institute, Inner City Press Fair Finance Watch, Los Angeles Neighborhood Housing Services, National Consumer Law Center and Woodstock Institute all testified about the predatory aspects of H&R Block's operations and its moves to circumvent the Community Reinvestment Act and other consumer protection laws.

Lori Gay, executive director of Los Angeles Neighborhood Housing Services said it best, "The fundamental principles of CRA must be met. There is too much bad lending out there. If this continues, you will continue to hear protests." She concluded by reminding those present about the impacts of these practices on families and communities, and expressed hope that H&R Block and the OTS would address the issues in a productive manner.

This application poses one of the first tests for new Office of Thrift Supervision Director John Reich. It is also one of the first bank applications after the release of new home mortgage data showing significant disparities in the prices paid for home loans by different race and ethnicity groups, including at H&R Block and Option One Mortgage.



CRC IS A PROUD
MEMBER OF THE NATIONAL COMMUNITY
REINVESTMENT COALITION

Bank of the West Commits $75 Billion for Reinvestment

Bank of the West, one of the largest banks in the Western United States, recently announced a new commitment to community reinvestment.

This commitment is essential as Bank of the West and its owners continue to grow. The bank is owned by BNP Paribas, which is based in France and is the largest bank in the Euro zone in terms of net income and market capitalization. BNP Paribas has a presence in 85 countries, and has 89,400 employees. BancWest, BNP Paribas' U.S. holding company, owns two major financial institutions: Bank of the West and First Hawaiian Bank, Hawaii's largest bank.

Bank of the West has quadrupled in size since 2001. In 2002, the bank bought United California Bank, which was the product of a merger between Sanwa Bank and Tokai Bank California, and the fourth largest bank in the state at the time. Three other smaller acquisitions later, Bank of the West is buying Commercial Federal Bank, which will make BancWest the seventh largest bank-holding company in the Western United States. It will have approximately $64 billion in assets, with 739 locations in 20 states.

During the UCB acquisition in 2002, CRC negotiated with Bank of the West, and the bank issued a unilateral community commitment of $30 billion over 10 years. This summer, CRC members met with bank executives to discuss a larger commitment, stating that since the bank doubled in size, it should therefore double its community commitment.

CRC submitted a written recommendation to the bank on August 10 asking for a new commitment of 15 percent of the bank's assets, or $76 billion over 10 years, for community reinvestment.

On September 2, Bank of the West issued a press release announcing that it would "boost its community support to offer $75 billion in loans, investments, contributions and services to individuals, small businesses, companies and community-based organizations." CRC sees this as a very positive step by Bank of the West, and looks forward to its increased community involvement.

Bank of America Soon Nation's Largest Credit Card Source

On June 30, 2005, Bank of America announced its plans to purchase credit card giant MBNA Corp. for $35 billion.

If the acquisition is approved, Bank of America will become the biggest credit card issuer in the United States. Bank of America's credit card division would become larger that Citigroup, American Express, JP Morgan and Capital One Financial.

With the acquisition, Bank of America would double its customer accounts to 40 million active cardholders with $143.2 billion in outstanding balances. Currently Bank of America has more than $1 trillion in assets. What does an ever expanding trillion dollar bank mean for California communities? Generally, communities can expect less accountability.

As Bank of America continues to grow, its ability to respond to a diverse customer base continues to decrease. Since Nations Bank acquired Bank of America in 1998, consumers and community organizations alike have experienced less attention.

Bank of America's lending and deposit products come in a "one size fits all" package. Despite record-level dollar commitments for affordable housing, small business and community development, the bank's community reinvestment activities have largely ignored California's diverse and unique needs.

While Bank of America reaps the most profits from Californian's deposits, community development programs and relationships have diminished. CRC members have repeatedly expressed to the bank that they do not know who their contact person is. Furthermore, high turnover amongst Bank of America staff and new levels of internal bureaucracy have further eroded positive relationships that the bank once had with California's nonprofits.

Since Bank of America's merger with Fleet Boston, CRC has pushed the bank on six key issues. After a year and a half of meetings, the bank finally responded to two of those issues, agreeing that: 1. They would not develop a deposit account for low-income consumers that CRC presented; and 2. They would continue to purchase subprime and potentially predatory mortgage and refinance loans without CRC's suggested screens.

As Bank of America grows, CRC will continue to push the bank about reinvestment issues such as affordable housing, charitable contributions, community development investments and small business lending. Bank of America's lending and corporate practices need to benefit rather than harm low-income people and communities of color.

Wachovia Comes to California

Wachovia Bank, the nation's fourth largest bank, is currently acquiring two financial institutions in California.

The bank, which is based in North Carolina, is buying the $16 billion asset Westcorp of Irvine, one of the nation's largest auto lenders, and owner of the19-branch Western Financial Bank. Wachovia is also buying AmNet Mortgage Network based in San Diego, which is affiliated with 7,000 mortgage brokers nationwide, and funded $6.5 billion in residential mortgages in the first half of 2005.

Wachovia staff are meeting with community-based organizations in Southern California. CRC will be meeting with bank staff in efforts to obtain a CRA agreement. It is clear that Wachovia will grow in California.

HSBC Goes Low Again, Acquires Subprime Credit Card Lender

HSBC, one of the largest financial service corporations in the world, continues to acquire subprime outlets.

It is curretly acquiring the subprime credit card lender Metris, and in 2003, acquired the infamous subprime lender, Household International.

HSBC Finance is the sixth largest issuer of MasterCard and Visa cards in the nation. Metris is the 11th largest issuer of MasterCard and Visa cards in the United States. Both Household International and Metris have had multiple lawsuits filed against them for ripping off consumers.

HSBC plans to maintain a minimal bank presence in California, while allowing Household to operate separately as a major player in the state's predatory mortgage market.

CRC would like to see HSBC become a bigger, conventional bank in California by converting Household offices into HSBC bank branches, or by opening new HSBC full service branches in underserved communities. HSBC has nine bank branches with 177 subprime outlets, inviting charges of two-tiered lending in the country's largest and most diverse market. This is cause for great concern.

Without a significant community commitment, HSBC will primarily impact California in a negative way, through significant subprime real estate and consumer lending. CRC will continue to monitor HSBC's performance.

A Celebration of 2005 Sacramento Reinvestment

September 29 was a beautiful day to celebrate community reinvestment in the state capitol. There was a wonderful turnout of more than 100 community and bank folk present to commemorate the partnership in democratic capitalism that is community reinvestment. The CRA Panther Award was given to outstanding community activists from the Sacramento Valley.

First, the crowd networked in the garden of the glamorous Julia Morgan House. Paul Ainger, CRC Board Vice Chair from the Community Housing Opportunity Corporation, welcomed everyone and thanked the generous contributors to the event. He then recognized local community leaders and public officials in attendance.

CRC Executive Director Alan Fisher then began the awards ceremony.

- Rachel Iskow of Sacramento Mutual Housing presented the CRA Panther award to Amy Goldwitz. Amy founded Sacramento's first individual development account program for low income people out of a strong belief in asset-building as the way out of poverty, and her own knowledge that many disenfranchised groups, including immigrants and youth, are shut out of the banking system and traditional asset-building strategies. It is a strong collaborative that provides financial education and IDA services in several languages, including English, Spanish, Russian, Mien and Hmong.
- CRC Board member Clarence Williams and CRC Associate Director presented the CRA Panther Award to Jennifer Harris of the Sacramento Home Loan Counseling Center. The Center is the lead agency for the Northern California "Don't Borrow Trouble" campaign. "Don't Borrow Trouble" is a collaboration of nonprofit organizations, financial institutions, private attorneys, and government agencies collectively educating consumers about the devastating effects of predatory lending and financial abuse. It provides a series of workshops, one-on-one counseling, and a hotline for families.
- Rob Wiener of the California Coalition for Rural Housing presented the CRA Panther Award to Charlotte Delgado and Sherry Lautsbaugh who have been fighting on behalf of low-income tenants for many years. As residents, Charlotte and Sherry know first hand the importance of preserving affordable housing and securing tenant protections. Charlotte has been a leader in national, state and local tenant groups and her organizing and advocacy has resulted in better preservation polices and tenant protections at the state and local level. Sherry Lautsbaugh is President of her tenant association in Rancho Cordova, and led the successful struggle to permanently preserve more than 350 units of affordable housing in Sacramento County.

Host Committee members Bill Kennedy of Northern California Legal Services, Bill Powers, Bill French, Councilmember Dave Jones and Rob Wiener helped get the evening going. Also in attendance were CRC Board members Gail Hillebrand from Consumers Union and Catherine Marshall from the California Association for Micro Enterprise Opportunity. The CRC Board of Directors and staff thank all those who contributed and participated. A good time was had by all and we look forward to seeing you again next year.

CRC Board Vice Chairman Paul Ainger welcomes the Sacramento crowd.

Rob Wiener of California Coalition for Rural Housing with Charlotte Delgado (Left) and Sherry Lautsbaugh (Right), both CRA Panther Award winners.

CRC Executive Director Alan Fisher with CRA Panther Award-Winner Amy Goldwitz and Rachel Iskow of Sacramento Mutual Housing.

Jennifer Harris of the Sacramento Home Loan Counseling Center talks about the center, which won a CRA Panther Award.

Celebrate Sacramento Reinvestment 2005 Honorary Host Committee

Hon. Philip Angelides
State Treasurer of California
Roger Dickinson
County of Sacramento Board of Supervisors
Ethan Evans
Sacramento Housing Alliance
William French
Rural Community Assistance Corporation
Rachel Iskow
Sacramento Mutual Housing Association
Hon. Dave Jones
California State Assembly
Stanley Keasling
Mercy Housing California
Bill Kennedy
Legal Services of Northern California
Barbara Lehman
Sacramento Human Rights/Fair Housing Commission
Ralph Lippman
California Community Economic Development Association
Hon. Doris Matsui
U.S. House of Representatives
Council Member Kevin McCarty
City of Sacramento
Christine Minnehan
Western Center on Law and Poverty
William Powers
Congress of California Seniors
Wayne A. Schell
California Association for Local Economic Development
J.D. Stack
Northern California Reinvestment Consortium
John Taylor
National Community Reinvestment Coalition
Rob Wiener
California Coalition for Rural Housing Project
Hon. Lois Wolk
California State Assembly

Sacramento Event Sponsors

DIAMOND
Comerica Bank
United Commercial Bank
Washington Mutual
Wells Fargo

PLATNIUM
Bank of America
Citibank
Union Bank
US Bank

EMERALD
Bank of the West
River City Bank

GOLD
California Bank & Trust
Cathay Bank
Impact Community Capital, LLC

SILVER
Bank of Agriculture & Commerce
California Capital Small Business Development
Countywide Home Loans, Inc.
Farmers and Merchants Bank
Human Rights/Fair Housing Commission
Personal Insurance Federation of California
Rural Community Assistance Corporation
Sacramento Mutual Housing Association
SAFE-BIDCO

TURQUOISE
Legal Services of Northern California
Resources for Independent Living

Ramona Garcia (Left) of Resources for Independent Living and Leticia Johnson (Right) of California Coalition for Rural Housing enjoy the lovely Sacramento evening.

George Chimiklis of Rural Community Assistance Corporation and CRC's Rhea Serna share a laugh.

(Left to Right) Mary Barker of Tenants Association of Rancho Arms, Mary Banyai of Nehemiah Community Reinvestment Fund, JoAnne Potthast and her sister, CRA Panther Award-winner Sherry Lautsbaugh celebrate Sacramento reinvestment together.

Insurers Invested $7 Billion in CA Communities

Insurance Commissioner John Garamendi announced the preliminary findings of a California Department of Insurance survey September 29 showing that insurers have invested more than $7 billion in California communities since 1996.

The survey of more than 1,000 insurers doing business in the state identified more than 2,500 individual investments that qualify under the guidelines of the California Organized Investment Network (COIN). It is very positive that the Commissioner instituted this survey.

Californians paid more than $115 billion last year in premiums and roughly $1 trillion over the past decade. Thus, the $7 billion represents roughly 0.7% of revenue over the last 10 years. So, while the $7 billion is more than previously known, it is a disappointingly small amount of investments compared to revenue.

> ***While the $7 billion is more than previously known, it is a disappointingly small amount of investments compared to revenue.***

The Data Call was sent to 1,355 companies admitted to do business in California and 932 companies responded. These companies comprise 69% of all companies and wrote 91% of the total 2004 CA direct premiums. Four hundred twenty-three companies failed to provide any response to the Data Call. These companies comprise 31% of all companies and wrote 9% of the total 2004 CA premiums.

More than 5,000 investments were reported in response to the Data Call. COIN reviewed all of these investments and determined that about 2,500 qualify as meeting the definitions in the Data Call for California community development investments. Eighty-six percent of all companies who do business in CA - 1,159 companies – did not report qualifying investments. These companies wrote 48% of the 2004 CA direct premiums.

Cendant and Chase Sued for Deceiving Customers

California Attorney General Bill Lockyer is suing units of Cendant Corp. and JPMorgan Chase & Co. for allegedly using deceptive promotions and billing practices to lure thousands of Californians into buying memberships in discount purchasing programs.

The programs, which offered discounts on services such as home repair and travel, were marketed through "reward checks" purportedly given to valued customers of Chase Bank USA and Chase Mortgage Corp. However, cashing the checks, which ranged from $2.50 to $10, would automatically enroll consumers in a trial membership for a service that cost $69.99 to $119.88 annually.

If the consumer didn't cancel within a set period, usually 30 days, he/she would be charged the annual membership fee, according to the lawsuit. That fee was often described simply as an "optional service" on bank card and mortgage statements, the lawsuit stated. It would continue to be charged, year after year, unless the consumer canceled, the suit stated. Marketers targeted the elderly and people with limited command of English, Lockyer said.

HMDA Data Reveals Who Gets Home Loans

On September 13, 2005, the Federal Reserve released the much anticipated home loan pricing data. Over the next few weeks and months, community groups, industry players and government agencies will analyze and dissect the data to find out what it means, and why certain groups of Americans pay more for their home loans. CRC will be joining the fray as usual, analyzing the new data for its 12th annual report, "Who Really Gets Home Loans?".

This year, HMDA data include new and important information. The most significant being the new requirement that lenders report information about the prices they charge for home loans. Specifically, lenders making first lien loans that carry Annual Percentage Rates (APRs) in excess of three points above the comparable Treasury rate are required to report that difference.

On average, loans that carried APRs of 8% or higher in 2004 were likely characterized as higher cost "rate spread" loans. For second lien loans, lenders are required to report if they originate loans with APRs in excess of five points over Treasury. In this way, the public now has access to data that shows how much more certain borrowers are charged for their loans than others.

The 2004 data has been available for a few months from individual lenders upon request. In analyzing this data on an ad hoc basis, CRC determined that certain lenders made high cost "rate spread" loans four to five times as often to African American and Latino borrowers than to white borrowers. With the release of the new data, CRC will be able to conduct a more meaningful analysis.

The Consumer Federation of America recently released "Subprime Cities: Patterns of Geographic Disparity in Subprime Lending," which looked at the new 2004 HMDA data in different parts of the country. CFA found that African American and Latino borrowers are more likely to receive subprime refinance loans, and that there is a significant subprime refinance variance between regions, with the Pacific region having a generally lower incidence of subprime than other regions. Within the state, however, the CFA data may suggest a disparity between rural and urban California. The Fresno and Bakersfield MSAs had the highest incidence of subprime refinance lending to African American borrowers. Bakersfield, El Centro, Fresno, Hanford, Madera and Visalia-Porterville all saw more than 20% of refinance loans to Latino borrowers coming with high cost subprime rates.

For its part, the Fed offered its views of the data in a 50 page report, "New Information Reported under HMDA and Its Application in Fair Lending Enforcement," available on its website. The Fed analysis is characteristically qualified and provides possible justifications for loan pricing disparities. But surprisingly, much of the Fed analysis supports the contentions of community groups like CRC. Specifically, the Fed report finds:

1. Disparities exist. Nearly a third of all first lien home purchase loans to African

Continued on Page 9

Wells Fargo Develops Environmental Initiative, Fails to Consult Community

On July 11, 2005, Wells Fargo announced via press release a 10-point Environmental Commitment with a $1 Billion Lending Target.

CRC and several environmental groups were stunned because Wells had not negotiated the commitment, nor contacted relevant organizations. CRC and the Sierra Club organized CRC members and friends to meet and discuss the implications of the commitment with Wells, as well as provide insight and comments.

In reviewing the commitment, CRC noted to Wells that it is vague given that it lacks specific benchmarks and targets. In comparison to other major banks such as Bank of America, Citibank and JP Morgan Chase, which also have environmental commitments and strategies, the Well's initiative is less developed and does not terminate existing investments that are harmful to the environment.

In preparation for the meeting with Wells, CRC staff met with members of Rainforest Action Network (RAN). Prior to the Wells Fargo press release, RAN had scheduled a protest that Wells responded to with the issuance of the press release. Despite the Bank's last minute attempt in promoting their commitment, RAN went ahead with their protest calling for "less PR and more progress" from the Bank around issues concerning global warming, endangered ecosystems and human rights.

In CRC's meeting with Wells, CRC and its members asked the bank to make firm commitments around green affordable housing, smart growth initiatives and brownfield redevelopment. Two of the commitment's 10 points relate to broadening the process for negotiating the Bank's due diligence procedures and practices for middle-market and large corporate customers in environmentally-sensitive industries.

In their commitment, Wells discusses their plans to "solicit input from customers, industry groups and environmental groups" and to "create an external Environmental Advisory Board to guide the company's efforts, including customers in the energy and forestry industries, and environmental experts from academia and nonprofit organizations." CRC and members submitted nominations to Wells and asked to be given consideration as progress is made.

Wells currently finances a number of resource-extracting industries and corporations. Wells customers include: an oil company seeking to explore and drill on indigenous territory in Brazil; Massey Energy, Alpha Natural Resources, Westmoreland Coal and others who engage in destructive mountaintop removal mining; and many companies which are engaged in destructive drilling on US public lands, and on ranchlands across the West.

If Wells Fargo is serious about developing due diligence standards which will guide their lending and investment strategies, they need to come to the table and negotiate with environmental and community development organizations. CRC will continue to monitor Wells and its progress in developing these standards.

Wells Fargo's "Payday" Loans Could Trap Customers in Debt Cycle

"Life doesn't always happen according to plan. And when there's a surprise – or an emergency – it's important to have access to money when you need it." Wells Fargo advertises their Direct Deposit Advance product as a panacea to its cash strapped customers.

Unfortunately, innocent customers are not warned that this product could be dangerous for their financial health. Customers are charged $2 per $20 ($10 per $100), up from $1 per $20 more than a year ago. Payday lenders do charge more than Wells Fargo, $15 per $100; however, the cost for Wells Fargo to conduct a Direct Deposit Advance transaction is minimal.

Wells already knows their customers since holding a Wells Fargo account with a monthly direct deposit is required to be eligible for the product. Payday lenders have to put time into gathering information on the customer. While the cost of the Direct Deposit Advance appears to be less, Wells Fargo is actually making a much higher profit margin because of its low costs to process and deliver the advance.

The Direct Deposit Advance product is regulated by the Truth in Lending Act. While customers are made aware of its fees, the bank has liberties in structuring the product without stringent regulations. Payday lenders are restricted to the number of times that a single customer can renew or rollover the loan. In California, payday lenders are not allowed to grant a new payday loan when a customer already has one pending. Furthermore, a payday lender cannot permit a customer to pay off all or a portion of one payday loan with proceeds of another. For those payday lenders that partner with FDIC regulated banks, borrowers are not allowed to have more than three months' worth of loans from all lenders in the last 12 months. In this scenario, a borrower is only allowed to have six two-week loans during the course of a year.

A Wells' customer is allowed to make up to 12 Direct Deposit Advances of up to $500 within 12 consecutive statements. After 12 advances, a customer's advance limit is reduced by $100 for each advance. If a customer cannot pay back the advance within 35 days, the bank will continue to withdraw and create an overdraft on the account. The customer then becomes liable for additional fees incurred due to the overdrawn account, as well as fees for the account being in the negative. It is only at this point of having one's account overdrawn in which Wells finally disables the Direct Deposit Advance product.

CRC met with Wells Fargo in June of this year to discuss how this product could be improved so that consumers do not become trapped in a continuous cycle of debt. CRC expressed its concern that consumers could potentially access the product for up to 16 months continuously without a break. If a consumer did use the product 16 contiguous times, the total fees would exceed the average amount of the advance. Wells' intention is for the product to be used for unexpected emergencies. CRC requested data to verify whether customers are using the product sporadically, or were converting the product into a longer-term loan through continual usage. Though Wells has not responded to us regarding the request for data, CRC plans to continue to pressure Wells so that consumers are more informed, restrictions to usage are enhanced and pricing is lowered.

Friends of CRC

The California Reinvestment Coalition would like to thank the following members and individuals for their generous support of our work:

Gail K. Hillebrand
Hernan D. Vera
Sylvia Rosales-Fike
Patricia M. Jaundzems
Ruth and Fred Brousseau

Banks Needed In Lower San Antonio, Oakland

Residents and advocates in Oakland's Lower San Antonio neighborhood are advocating for the development of either a full service bank branch or a community-oriented financial service provider.

One of the main commercial corridors of this neighborhood is International Boulevard. Throughout a 32-block stretch of that corridor, there is not a single bank. Rather, area residents are subject to the high costs of fringe financial service providers.

Members of the Financial Services Committee of the Lower San Antonio Collaborative have identified the following needs in their neighborhood: savings and checking accounts, financial education, IDAs, bill paying services, check cashing and remittance products. Lower San Antonio residents need financial services and products that they can trust, and that are convenient.

Bank branches and other alternative financial facilities, like credit unions, are absolutely necessary for the economic revitalization of disinvested and low-income communities. When Banks serve working individuals and families with appropriate products, consumers have opportunities to safely deposit their paychecks and cash checks.

Once individuals become bank customers, they can also have access to other products and services, like small business loans or needed lines of credit. With a bank account and convenient access to a bank branch, a consumer can fully participate in the financial mainstream and start to build assets for their future.

Having a bank account and managing it properly is a cheaper and safer alternative to relying on check cashers. CRC believes that the Collaborative's goals are achievable and is working with them to achieve them.

Bank Regulators Not Doing Enough to Protect Consumers

The regulatory race to the bottom is on, and it's not clear which bank regulator will earn the hard fought distinction of being the least concerned about consumers and communities.

The Federal Reserve has failed to scrutinize the predatory practices of fringe financial providers that are owned by Bank Holding Companies.

The Office of Thrift Supervision has broken ranks with fellow regulators by weakening community reinvestment obligations for large federally chartered thrifts.

The Office of the Comptroller of the Currency has created a fair lending firestorm by moving to protect national banks from enforcement of state and local anti predatory lending and consumer protection laws, even going so far as to sue the New York Attorney General for having the courage to investigate the fair lending practices of national banks.

Now comes the Federal Deposit Insurance Corporation, which proposes to develop and flex its own preemption muscles on behalf of its state-chartered banks. On October 5, the FDIC board issued a proposal that would assert state-chartered banks' preemption rights, letting them follow their home-state regulations for out-of-state business.

The proposal includes a provision that host-state laws would not apply to state-chartered banks' out-of-state branches where a federal court or the OCC has concluded that the law is preempted for national banks.

This is similar to the preemption efforts staked out by the Office of the Comptroller of the Currency which seek to hold national banks to one federal standard, as opposed to complying with various state rules.

The FDIC's action was in response to concerns raised by state chartered banks that OCC and OTS preemption efforts have put them at a competitive disadvantage.

CRC will be organizing its members to oppose this latest attempt to favor industry over community.

Representative Barny Frank, who sits on the House Financial Services Committee, has stated that Congress may need to step in to fix this problem.

Taxes: Who Really Pays More?

Commentators and policymakers often claim that the wealthy pay a disproportionate share of taxes relative to other Californians. In fact, households with income below $18,000 – those in the lowest fifth – paid the largest share of their income (11.3%) in state and local taxes, after taking the deductibility of state and local taxes into account.

Moreover, some high-income households – defined as those with incomes of $200,000 or more – have no state income-tax liability. Indeed, the number of Californians with no such tax liability has increased notably in recent years. These high-income households attain zero tax liability by claiming a variety of tax credits and deductions. The largest tax breaks claimed by "no tax" households include Enterprise Zone Credits, the Manufacturer's Investment Credit, the Prior Year Alternative Minimum Tax Credit and miscellaneous deductions.

Source: California Budget Project

Minority and Women Business Ownership Increases in CA

Minority- and women-owned businesses in California and elsewhere in the United States experienced tremendous growth in their numbers and recipients between 1997 and 2002, according to new business tabulations from the Survey of Business Owners (SBO) released by the U.S. Census Bureau in July.

For example, the number of Hispanic-owned firms in the state grew by more than 91,000, or 27 percent, during the five-year period, from 336,400 in 1997 to 427,800 in 2002. The number of Asian-owned firms increased by nearly 60,000, reaching 372,200 in 2002. California had almost 34,000 more black-owned businesses in 2002 (113,000) than in 1997 (79,100), and 14,000 more American Indian- and Alaska native-owned businesses in 2002 (40,500) than in 1997 (26,600).

Businesses owned by women increased by 24 percent, or 171,100, during the five-year period, growing from 700,500 in 1997 to 871,600 in 2002.

Source: U.S. Census Bureau

Charitable Deductions Fell in 2003

New statistics released by the International Revenue Service show that deductions claimed for charitable contributions declined in 2003, falling from $140.6 billion in 2002 to $139.7 billion in 2003, a drop of less than one percent.

These statistics are free online. To view updated information on charitable donations, go to http://www.irs.gov/taxstats/article/0,,id=115033.html and select Table 1.

Source: *The Chronicle of Philanthropy*

Housing Advocates Win 990 Affordable Units

A coalition of advocates in Contra Costa County won a great victory by securing a court judgment and settlement that commits the city of Pittsburgh and its Redevelopment Agency to produce 990 units of affordable housing over the next 9 years.

The suit was brought to support the work of Pittsburg Better Together, a broad community coalition. The settlement addresses three of PBT's top priorities: affordable housing production; inclusionary zoning; and preferences for local residents.

Advocates filed the suit in 2004 after city officials resisted adopting housing policies urged by community groups. The lawsuit, brought by Reverand Gregory Osorio, a local businessman and religious leader, and ACORN, challenged the city's housing plan, which favored high-end residences while limiting zoning and other steps needed to create more affordable housing options.

The suit also challenged the failure of the city's Redevelopment Agency to support affordable housing. The suit was filed by CRC member Public Advocates of San Francisco, and the California Affordable Housing Law Project based in Oakland.

While the litigation was pending, the city met the community's demand by adopting a strong inclusionary housing ordinance. It also adopted a revised Housing Element that improves significantly the one that was challenged.

The settlement requires the RDA to produce 990 affordable units within nine years, of which 398 must be affordable at the very-low income level. Incentives are provided for larger units, and units affordable at the extremely-low income level. The City will adopt a preference for those who live or work in Pittsburg. And the City will forfeit valuable incentives if it repeals or waters down its inclusionary ordinance.

"This is an example of how community coalitions, with the support of public interest lawyers, can help meet the housing needs in an increasingly unaffordable Bay Area market," said lead attorney, Richard Marcantonio of Public Advocates.

Congratulations to the coalition and its attorneys on an impressive victory that will benefit low income residents in the Bay Area.

Anti Predatory Protections Extended

More California home loan borrowers will benefit from the state's anti predatory lending law, thanks to the passage of AB 901, the Uniform Lending Reform Act, a bill authored by Assembly member Mark Ridley Thomas.

California's Covered Loan Law contains many protections to guard against predatory mortgage lending practices. However, under the current law, these much needed protections have applied only to certain loans that do not exceed $250,000, a relatively small loan amount for California's skyrocketing housing market. As a result, existing law has not protected many borrowers who are vulnerable to abusive mortgage lending practices.

AB 901 goes a step further to make sure that fewer homeowners fall through the cracks. It increases the loan cap from $250,000 to the Fannie Mae limit (currently $359,650). In addition, AB 901 calls for local real estate fraud prosecution efforts to be reported annually to the state Legislature, regarding funds received, complaints lodged and investigated and the number of convictions.

"Predatory lending is on the rise in California. This bill will provide the necessary protection to communities of color and prevent their main source of wealth from being stripped away," Ridley-Thomas said.

By expanding the protections of current law to include more loans, AB 901 will allow more Californians to protect their hard-earned home equity, rather than risking it to pay for unnecessarily high cost loans on unfavorable terms.

All homeowners with accumulated equity will benefit by this expansion, but especially those who are most impacted by predatory practices, including the elderly, low-income people and homeowners in communities of color.

CRC and several of its members supported the bill as an important incremental gain for California homeowners. Special thanks to Mark Ridley Thomas for his continuing leadership on this issue, and to Norma Garcia at Consumers Union for sponsoring and lobbying hard for its passage.

HMDA continued from page 6

Americans (32.4%) consisted of higher cost "rate spread" loans, compared to only 8.7% for whites.

2 These disparities cannot be fully explained, even by the Fed. "Adjusting the HMDA data for borrower-related factors plus lender is insufficient to account fully for racial or ethnic differences in the incidence of higher priced lending; significant differences remain unexplained."

3 One explanation cited by the Fed is that black and Hispanic borrowers taken together are much more likely than non-Hispanic white borrowers to obtain credit from subprime lenders. The Fed notes that this could be because minorities are more likely to have impaired credit and belong in the subprime market. On the other hand, this may be a result of prime lenders being unwilling or unable to serve minority neighborhoods, or a product of minorities being steered to higher cost lenders and higher cost loans.

4 The report notes that among the factors reflected in loan pricing are the cost of the funds to be lent, credit risk, prepayment risk, overhead expenses, loan servicing costs, the negotiating abilities and inclinations of creditor and borrower, the possibility of discriminatory pricing and variations in the channels through which a loan application at a given lender may be processed. CRC has identified the last 3 factors as evidence of discriminatory lending practices in the marketplace that result in millions of dollars in lost equity for unsuspecting borrowers.

5 Importantly, the Fed notes that "the incidence of higher-priced lending is higher for borrowers who live outside the assessment areas of lenders covered by the Community Reinvestment Act of 1977 (CRA) than for those who live inside these areas." This fact highlights the importance of the CRA and the need for financial institutions to step up to their reinvestment obligations, and not seek to skirt them.

Meanwhile, New York Attorney General Elliot Spitzer continues his campaign against national lenders and the Office of the Comptroller of the Currency to require lenders to defend these disparities by opening up their loan files and explaining why they feel that people of color deserve to pay more.

The battle continues...

CRC Welcomes New Members!

JobStarts, Inc.
Housing Rights, Inc.
Tri-County Economic Development Corp
Pacific Coast Regional
Inner City Advisors

Join The California Reinvestment Coalition

The California Reinvestment Coalition (CRC) is a statewide membership organization of nonprofit groups who work together on federal Community Reinvestment Act (CRA) issues with a focus on affordable housing, community economic development, and financial services for low-income consumers.

CRC advocates for community reinvestment with California financial institutions to improve access to credit and services for low income people and people of color. Membership in the CRC is open to nonprofits, community-based groups and associations, and government entities, with CRC Board approval.

Members of the CRC are entitled to participate in its negotiations and monitoring meetings with financial institutions operating in California, and to nominate members to the CRC Board. Annual California Reinvestment Coalition membership dues are as follows: small nonprofit, $75; large nonprofit (operating budget over $500,000) or public agency in small city, $150; and public agency, $500.

Application for Membership

We subscribe to the California Reinvestment Coalition's efforts to promote investment in California's low-income communities and communities of color through increased access to affordable financial services, housing credit to facilitate the production and maintenance of low-income housing, credit for low-income individuals, and credit for community economic development. We pledge not to use the CRC platform or name to promote individual projects, grant applications, or other proposals in which our organization or members have a financial interest, but rather to promote improved service of community credit needs. Applications for membership will be considered by the CRC Board monthly.

❑ I would like to become a member of the CRC and receive the Newsletter (see dues above)

❑ I would like to subscribe to the Newsletter. ($20 for individuals or nonprofits; $75 for corporations)

❑ I would like to be a Friend of CRC. (a minimum of $100 but we will appreciate any contribution you can make.)

Name: ____________________

Organization: ____________________

Address: ____________________

City, State, Zip: ____________________

Telephone __________ Fax __________ Email __________

Please mail completed form to Alan Fisher, CRC, 474 Valencia Street, Suite 110, San Francisco, CA 94103

COMMUNITY REINVESTMENT NEWS
California Reinvestment Coalition
474 Valencia Street, Suite 110
San Francisco, CA 94103