

# Delaware CRA News

A Quarterly Publication of the Delaware Community Reinvestment Action Council, Inc.



## Our headquarters

601 North Church Street  
Wilmington DE 19801

Since 1994, we have occupied 601 North Church Street (pictured on the left), first as tenants and now as owners. Although mortgaged, we are very proud of our ability to build our asset base and practice what we preach--build assets in our community. As so many of you have found out, we welcome you to our home with a warm heart, cuddly cats, and lots of resources. See you soon.

DCRAC, Inc.  
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Non Profit Org.  
U.S. Postage Paid  
Permit No. 1515  
Wilmington, DE

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Letter From Bob



Robert L. Watson, Jr.

& the rest of the board

- Anthony B. Wright
- Carol Davis
- Anthony Albence
- Joe Myer
- Juana Fuentes-Bowles
- Austin Edison
- Esther Giuliani
- Susan Haberstroh
- Michelle Harris
- Harold Stafford

General Counsel  
Matthew Lee, Esq.

Founder  
The Honorable  
James H. Sills, Jr.

Founded in 1987

Dear Friends:

One of the functions of our newsletter is to report to you on our progress. Thus, in this newsletter, we have taken the opportunity to share with you our work during July 2004 through June 2005. As to our audit report, we hope to publish it on our website by the end of January 2006. Thanks for your patience.

In our Money Matters!, we have weaved in "Buying Your Manufactured Home," funded by Citigroup. This handbook is covered only when our target audience is ready to consider home-ownership. In Kent and Sussex Counties, our target audience has been largely in temporary housing shelters. Therefore, our outreach has been limited to 70 of those served in southern Delaware during this fiscal year. Money Matters! and our outreach through the television program is supported by many Delaware Financial institutions.

Our Fair Housing component as a program has been significantly set back. But, fair housing remains at the core of our advocacy because we firmly believe that there can be no fair housing if there is no fair lending.

Our Fair Lending program includes all of our activities. Through education and outreach we develop a pool of qualified borrowers of consumer finance and through our advocacy and legislation we create an environment where our qualified borrowers enjoy equal access to credit and capital.

Our Low Income Tax Clinic strategically targets those who have limited English proficiency for education and information about their consumer finance issues including tax rights and responsibilities.

Financial support for our Campaign for Fair Financial Services in Delaware has been provided by the Catholic Campaign for Human Development, locally administered through the Catholic Charities Office, Catholic Diocese of Wilmington. The Campaign is also supported by other unrestricted funds.

All in all, we had a good year and look forward to sharing another productive year again next year.

Merry Christmas and a prosperous New Year. Prospero Años y Felicidad.

Sincerely,

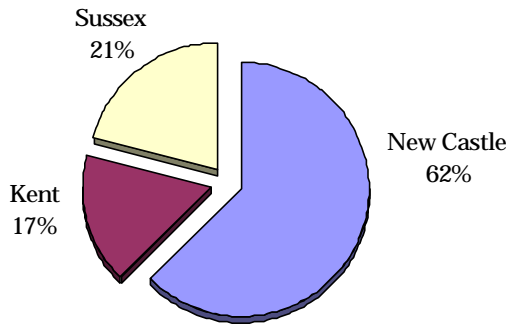
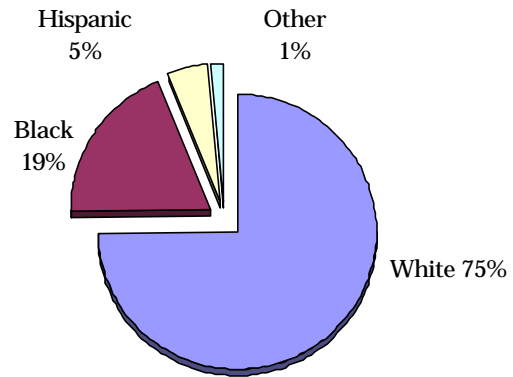
Bob Watson, Jr.

**DCRAC Staff & Volunteers**

- Andrea Charry, Spanish Programs\*
- Ulrick Dorce, French & Creole\*
- JoAnn Griffin, Editor\*
- Rodney Hill, Public Ally
- Chris Mears, Art Director\*
- Mirta Mercado
- Artika Rangan, Events\*
- Rashmi Rangan
- Christopher Tijerino
- &
- Office cats
- HMDA & HOEPA

\* DCRAC Volunteers

www.dcrac.org

**Population of Delaware by County****Racial Makeup of Delaware**

**Education:** Money Matters! We plan to continue doing what we have done thus far, with minor changes based on client feed back.

**Outreach:** We plan to explore radio presence during the fiscal year 2005-06, in addition to our existing outreach efforts.

**Advocacy & Legislation:** We continue to work very hard to realize our vision ---that Delaware serves consumers of financial services by providing them the needed education, necessary consumer protections, convenient and competitive financial services, and an environment where they are heard.

#### **Other plans**

1. We remain in planning stages for our consumer law clinic.
2. We have established a committee which is working on planning a community credit union.
3. We are formalizing our Campaign for Fair Financial Services in Delaware.

If you would like to help us with these plans, please contact Rashmi Rangan at 302-654-5024.

#### **New Board Members**

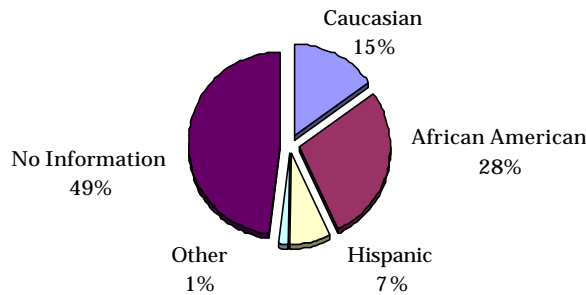
Chairman Bob Watson, Jr., would like to invite potential board members to contact him at 302-328-7344. We are looking for dynamic leadership so we can take advantage of our competitive edge as we approach a grand milestone--our 20 years of operation in 2007. With your help, we dream of great achievements for our community because in their success lies ours.

" Gains made in equal pay, homeownership, and quality childcare are lost when a struggling family is thrown into financial devastation by the debt trap of payday lending." Center for Responsible Lending

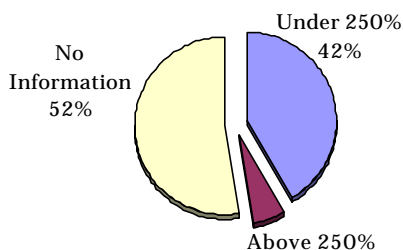
**Money Matters! Attendance during 2004 to 2005 Fiscal Year**  
 Compare our performance against Delaware statistics on page 3

	<b>NCC</b>	<b>Kent</b>	<b>Sussex</b>	<b>Total</b>
# attended	1509	197	295	2001
White	232	21	55	308
African American	433	40	78	551
Hispanic/Latino	85	3	61	149
Other	26	2	1	29
No information	733	131	100	964
Income < 250%	670	72	70	812
Income > 250%	93	15	9	117
No information	746	92	188	1026
Below 30%	162	16	45	223
Below 50%	508	56	30	594
Below 80%	64	9	6	79
Above 80%	29	6	2	37
Female head HH	374	32	49	455
Credit Score	101	8	13	122
English 2nd language	95	3	41	139

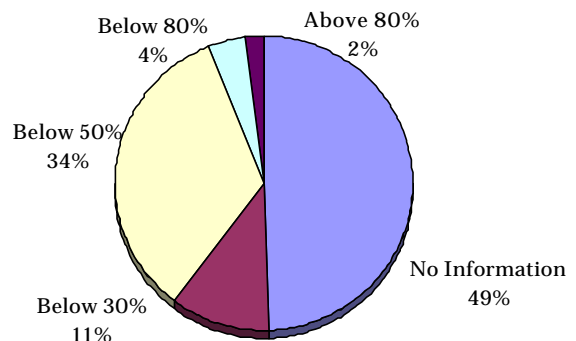
**Racial Makeup of MM! Seminars**



**Income by Percentage of Poverty Level**



**Income by Percentage of Median Income**



"California has more payday lenders than McDonald's and Burger Kings combined. Nationwide, [there are] some 12,000 payday lenders in 30 states and the District of Columbia." PBS Online News Hour, 04/03/01

## Television

**The DCRAC Informational Special** is our hour-long monthly television program which airs in each County. Launched in February 1999, we enjoy success thanks to our viewers, our guests, and most importantly, our sponsors. In January 2005, we discontinued the bilingual format because this particular outreach channel failed to reach out to our Spanish speaking audiences.

July 04	Our handbook on <b>Credit</b> , supplemented by other video clips.	January 05	Our presentation is based on our handbook on <b>Caveat Emptor</b>
August 04	<b>IRS</b> Calendar for small businesses is the basis of presentation	February 05	We focus on Payday Loans as a <b>consumer protection</b> issue
September 04	With Carol Davis we discuss <b>resources for small businesses</b>	March 05	With Valerie Trammell we discuss time spent on <b>Money Matters!</b>
October 04	Our presentation is based on our handbook on <b>Banking</b>	April 05	Our presentation is centered around ALJ cases highlighting <b>Fair Housing</b> issues
November 04	Our presentation is based on our handbook on <b>Investing</b>	May 05	With Vicki Walsh we discuss goal setting in the context of <b>Bankruptcy Reform</b>
December 04	With Wendy Wodjowodski we discuss <b>small business responsibilities</b>	June 05	Kim Gorgo's presentation uses FANNIE MAE's <b>Guide to Homeownership</b>

**Newsletters:** We hope you are enjoying the evolution of our newsletters since our first publication in September 1995.

**Website:** Launched in 1999, we believe the website is continuously improved.

**Events:** DCRAC embodies partnerships by participating in outreach events sponsored by Money School, Fannie Mae, Housing Counselors, Cultural event sponsors, educational institutions, city, state, and county sponsored events, etc.

**Radio:** La Exitosa has been very generous in donating us two hours each month to outreach to our Spanish speaking audiences in Sussex County. Each month we field nearly 15 telephone calls and most of them relate to questions regarding ITINs.

**Fair Housing events:** We hosted three fair housing events in April (one in each County) and another Fair Housing event later in Ellendale.

**Others:** In partnership with the Delaware Money School, we coordinated Train the Trainer training sessions.

**Buying a Manufactured Home:** Funded by Citigroup, we began covering this topic in our classes, where the audience is ready and able (because of location) to explore this option.

**Refinancing?** Another topic that became very relevant in the face of aggressive mortgage products such as interest only loans. We incorporated this in our seminars.

**Money Matters!** continues to expand in response to the changing environment, client feedback, and our outreach to a broader segment of Delawareans.

Outreach: Other

**"Annual percentage rates on average exceed 400% and trapped payday borrowers are often threatened with legal action and intimidating collection tactics."** Center for Responsible Lending.

In response to a recent News Journal coverage of lending disparities between minorities and non-minorities, the editorial board rightly concluded that "investigation of lenders is important." But, because Delaware Banking Commissioner's office has stated that it is unlikely they will "take a broad look at why black homeowners get high-interest refinance loans twice as often as white borrowers," we feel compelled to write.

DCRAC was founded in 1987 for the purpose of ensuring that there is no discrimination in lending. Our premise has been that the financial sector should not be allowed to take advantage of the consumer, sophisticated or not. Since our founding, we have analyzed and reported data. Data continues to suggest that there may be discrimination in lending. Speaking the language of bankers, federal regulators have wanted to explain away disparities by saying that the data does not include information such as credit history. Instead of investigating these practices, they have blocked New York Attorney General Elliot Spitzer from requesting credit scores for minority borrowers and other key information about how the banks determine mortgage rates.

In response to such lending disparities across the nation, the only suggestion gaining momentum is that we should educate our consumers. Those who suggest that consumer education alone will take care of lending disparity are effectively suggesting that minorities are financially illiterate. Since 1995, long before financial literacy was a buzzword, DCRAC has offered consumer education to Delawareans. In recent years, in Delaware has seen a concerted effort at providing financial education services to its residents. Yet, 2004 data continues to suggest that there may be discrimination in lending.

**Consumer financial education informs consumers that issues exist,  
but there is not much to do but accept it!**

Let's be realistic. Consumer financial education alone doesn't change lending practices. Or high interest loans. Or discrimination. Or access to small loans. But, education does inform consumers that those issues exist, and that there is not much to do, but accept it.

Let us dispense with the popular myth that credit scores are blind to the race of the consumer being rated. Who your lender is makes up 10% of your score. If your lender is a sub prime lender, you lose points. Look in minority neighborhoods and you will see payday lenders, title lenders, check cashers, and finance companies. You won't see a bank. Even the credit card might come from a sub prime lender. Another thirty-five percent (35%) of the score depends on whether or not you pay on time. According to consumer complaints to the state of Washington against national lenders, there are rogue credit card companies that habitually post payments late so they can collect late fees of nearly \$30 a month. Credit scoring models must be evaluated to assess why the scores are skewed against minorities. Even our Congressional delegation has been duped by the misinformation promulgated by the industry.

We have to do much more. We should expect reasonable consumer protections. We need some semblance of a usury law in Delaware. We need to re-evaluate the APR disclosures. We have a right to insist on a response to the consumers of financial services in a crisis. We need to provide our educated consumers alternatives to payday loans and title loans. We should continue to demand that our banking regulators conduct a thorough investigation into lending discrimination. And yes, we should redouble our efforts to educate the unwary.

**"Some payday lenders waive the initial fee to attract customers, "It's similar to what you hear from drug dealers: The first hit is for free." Mark Pearce, executive vice president of the Center for Responsible Lending, Bloomberg Markets, January 2005**

Financial support for our **Campaign for Fair Financial Services in Delaware** has been provided by the Catholic Campaign for Human Development, locally administered through the Catholic Charities Office, Catholic Diocese of Wilmington. The Catholic Campaign for Human Development (CCHD) was launched in 1970 by the U.S. Bishops to develop ways to address the root causes of poverty and to fund groups working to break the cycle of poverty. We have identified payday loans as our target under this campaign. Our partner in this endeavor is Community Reinvestment Association of North Carolina--[www.cra-nc.org](http://www.cra-nc.org).

In early March, 2005, the FDIC responded to years of consumer advocacy against the "Dirty Dozen" banks under its jurisdiction still partnering with payday lenders. FDIC issued new payday lending guidelines. All twelve banks were ordered to devise internal controls to follow the new guidelines. The other Delaware-based member of this rent-a-bank "Dirty Dozen" is First Bank of Delaware, headquartered in Wilmington. During March, 2005, DCRAC and CRA-NC led a letter-writing campaign against the bank's payday lending that resulted in more than 250 letters signed by community members in New Castle County. The letters called on the FDIC to fail the bank on its then-current Community Reinvestment Act (CRA) exam. In response to the FDIC's new guidelines, First Bank of Delaware issued a statement on March 8 that noted, "We offer such payday loans and will be affected by the revised guidelines. (They) may have a material adverse effect on our business."

### County Bank to exit payday lending

County Bank of Delaware, which partnered with more than 20 payday lenders nationwide, has announced it will exit the payday loan business. In March, County Bank was issued a cease and desist order by the Federal Deposit Insurance Corporation (FDIC) concerning its payday loans. The FDIC charged the Rehoboth Beach-based bank with multiple violations of safe and sound banking practices, including failure to provide effective oversight and control over the payday lending chains they partner with. They were also cited for allowing individuals other than borrowers to execute loan documents, and allowing their payday loan partners to circumvent cooling off periods for borrowers.

For the past two years, DCRAC and CRA-NC have led a series of protests against County Bank and the FDIC's oversight of this bank. These protests have highlighted County Bank's extensive operations in partnership with payday lenders, including Dollar Financial Group d/b/a Money Mart, CNG Financial d/b/a Check n Go, and Q&C Holdings d/b/a Nationwide Budget Finance. County Bank was one of only twelve banks in the country still partnering with payday lenders. Payday lenders have entered into such partnerships to continue operating in states like North Carolina which have not authorized payday loans.

Payday loans are short-term loans that borrowers take out against their next paychecks. Interest rates can range from 400 to upwards of 1,000 percent. Studies have documented payday lending's addictive nature and destructive effects on individuals and communities. The number of check cashers and payday lenders increased nationally from 2,000 in 1996 to 22,000 in 2003.

**"Payday Loans don't help; they create a new crisis every two weeks."** Center for Responsible Lending.

Thank You

**U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT,  
INTERNAL REVENUE SERVICES**

**GRANT-IN-AID, NEW CASTLE COUNTY,  
SUSSEX COUNTY COUNCIL, CITY OF WILMINGTON  
CATHOLIC CAMPAIGN FOR HUMAN DEVELOPMENT**

**GMAC BANK, DISCOVER BANK, CITIGROUP, HSBC BANK  
WILMINGTON SAVINGS FUND SOCIETY  
COMMERCE BANK, BANK ONE FOUNDATION**

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**FANNIE MAE, MAYOR JAMES M. BAKER, WILMINGTON SAVINGS FUND SOCIETY**

**DCRAC Anniversary Sponsors**

**DELAWARE HUMAN RELATIONS COMMISSION, JP MORGAN CHASE, PNC BANK**

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NCALL RESEARCH, RELIABLE HOME INSPECTION SERVICES, & WACHOVIA BANK**

July 04 to June 05