



WBEZ 91.5 FM

# Chicago Public Radio®

METRO

## Investing in Low-Income Communities

Several Chicago lending institutions have been able to dance around the nation's financial crisis so far. They are serving low-income minority communities often considered high risk. Chicago was once a petri dish for these kinds of banks and the city still has its fair share.

**Natalie Moore, Chicago Public Radio.**

*Sound of children in gym class...*

On this crisp autumn morning, a fourth grade gym class catches its breath.

*Gym class resumes workout...*

They are students at Uno Veterans Memorial School Campus on Chicago's Southwest Side. The school building is a former bakery. Inside, it's painted in cool blues and looks more like a trendy upstart tech office.

This new charter school is a much needed fix in this neighborhood.

**RANGEL:** We have a very severe overcrowding problem in Hispanic areas in Hispanic public schools.

Juan Rangel is head of the nonprofit Uno, which got the financing to build the school. The \$51 million facility was able to open its doors this fall despite the foreboding economic climate.

That's in large part because of IFF, a Chicago-based lending institution whose mission is to serve low-income and distressed communities. IFF helped Uno secure the land for the school.

**RANGEL:** The reputation that IFF has is that they're not just going to partner with anyone. They're going partner with those they feel are solid, that have a good track record and lend their name to it.

Thirty years ago the government established the Community Reinvestment Act to combat redlining. And in the 1990s, community development financial institutions, or CDFIs, came along; they are backed by the U.S. Treasury.

Both of these strategies were designed to increase lending in underserved communities. And Chicago has long been one of the leaders nationwide in creating these institutions—despite recent criticism that these kinds of loans may have contributed to the foreclosure mess.

IFF's Trinita Logue says the lender met its mission another way, often lending to community-based organizations.

**LOGUE:** In the case of IFF, many hundreds of nonprofit corporations would not have gotten the beneficial tailored financing that we've been able to get them because we were created to fill this gap, and the negative effect of not having the CDFI industry on this country would be huge.

Nonprofit IFF has lent more than \$200 million over the past 20 years. Its clients include health clinics and social service agencies—from the South Side to throughout parts of the Midwest.

IFF helps them acquire the real estate. Logue says IFF borrows money at below market rates from a variety of sources...

**LOGUE:** Banks, foundations, insurance companies and religious investors. Because we borrow at below market rates we then can take those funds and relend them below rates.

CDFIs require borrowers to have financial literacy, credit counseling and in turn CDFIs give them a support system. While all banks are arguably now vulnerable, CDFIs and other community banks aren't going belly up at the same rates as their mammoth counterparts.

Logue says IFF has recorded a lower overall default rate over the past 10 years than that of the top 100 U.S. banks.

There's a lot of talk that lending to minorities and low-income communities is inherently problematic.

The Community Reinvestment Act has received much of that blame from politicians and pundits. Not true, many experts say.

**ASHTON:** The attacks on CRA I can't see as anything but ideology.

Phil Ashton is a professor at the University of Illinois-Chicago whose expertise is banking.

**ASHTON:** Really, the goal of CRA was to try to open up those markets for private capital. And I think that lenders have across the board, it's not just CDFIs, but there are a number of community banks, some of the largest banks in the country have really taken their obligations under CRA and turned them into opportunities to tap markets that they weren't tapping previously.

Ashton says the city's previous strict banking regulations actually meant small and community banks came in and did lending big banks would not. He also predicts these smaller banks have a window to continue doing work in communities that some banks ignore.