

COMMUNITY REINVESTMENT

Making the Difference in Grand Rapids

The economic growth and vitality of Grand Rapids "central city" area (see map inset) depends heavily upon consumer access to credit from local banks and savings institutions.

Such credit, in the form of mortgage/home repair loans as well as business and housing development credit enables potential home and business owners to purchase and rehabilitate homes, provide affordable housing, and establish or expand the small businesses vital to our local economic health.

The **Community Reinvestment Act** of 1977 establishes — by law — that every bank and savings institution in the country has an obligation to help meet the credit needs of the community in which it operates.

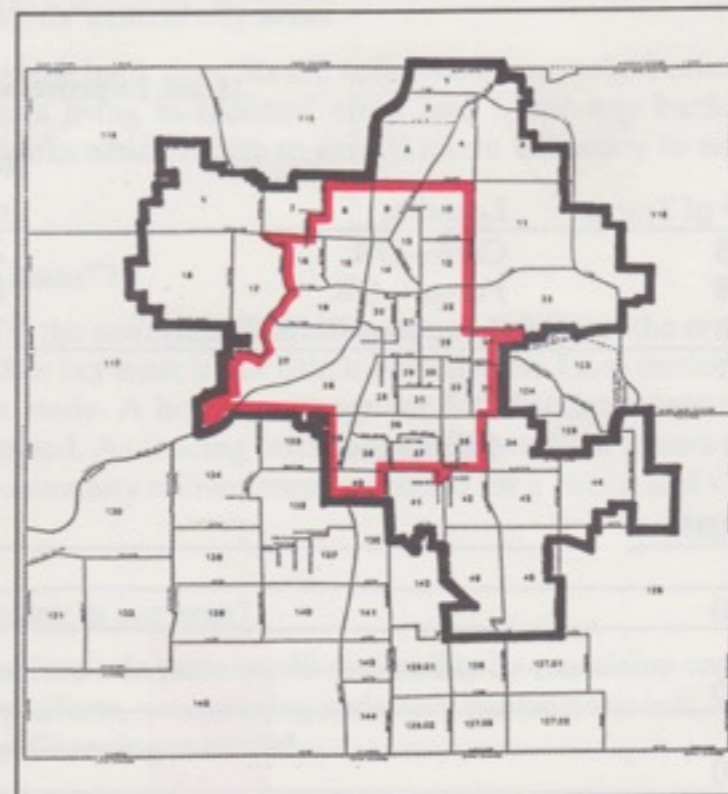
Despite their obligation under federal law, lending institutions often fail to meet community credit needs through policies of redlining and disinvestment.

The results of these policies are evident in Grand Rapids central city areas:

lack of mortgage credit prevents would-be buyers from purchasing a home, thereby driving housing values into a self-fulfilling downward spiral;

lack of available home repair loans blocks an owner's attempt to rehabilitate older, existing housing, decreasing the value of a major portion of Grand Rapids housing stock;

lack of commercial development credit limits entrepreneurial efforts to operate small business, causing a loss of vital services and general decline in neighborhood commercial districts and surrounding areas.



— GRAND RAPIDS BOUNDARY
— CENTRAL CITY

Community Reinvestment efforts can change this pattern.

Three Major Grand Rapids Banks Home Mortgage and Home Improvement Lending Patterns

The Coalition for Community Reinvestment used Home Mortgage Disclosure Act reports from three of Grand Rapids' largest banks to find out where home mortgage and home improvement loans were being made.

The entire city of Grand Rapids (46 census tracts) received only 20% of the home mortgages made by these three banks. The 28 core city tracts got 8%, and the fringe Grand Rapids tracts got 12%. Eighty percent of the home mortgages loans went to the 51 suburban Kent County census tracts.

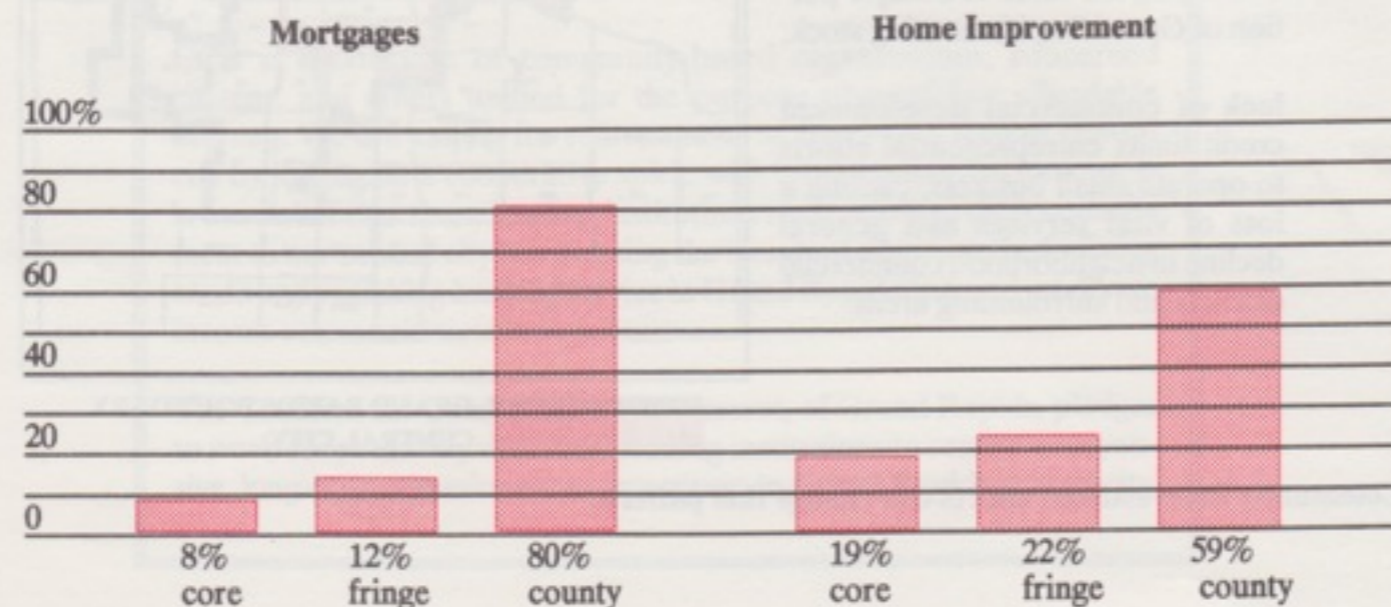
The 28 core Grand Rapids tracts received only 19% of the home improvement loans made by these banks, 22% went to the 18 fringe Grand Rapids tracts and 59% to the suburban Kent County tracts.

Home Mortgages

# of Tracts	Location	Total # of Mortgages	% of Total Mortgages
28	Core – GR	122	8%
18	Fringe – GR	165	12%
51	Suburban – Kent County	1162	80%
97		1449	100%

Home Improvement Loans

# of Tracts	Location	Total # of Improvement Loans	% of Total Improvement Loans
28	Core – GR	236	19%
18	Fringe – GR	269	22%
51	Suburban – Kent County	715	59%
97		1220	100%



■ What is the Community Reinvestment Act?

The Community Reinvestment Act of 1977 is a federal law which establishes the affirmative responsibility of financial institutions to meet the credit needs of their local communities.

■ How can we tell if credit needs are being met?

The Home Mortgage Disclosure Act of 1975 requires all metropolitan-area banks, savings and loan associations, and credit unions which have more than \$10 million in assets to report annually the number and dollar amount of housing loans by census tract. By examining this data, community groups can evaluate a financial institution's lending record and compare it to credit needs.

■ What is redlining?

Redlining may be defined as a lending practice that arbitrarily denies financing based on geographic location, racial or ethnic considerations, or any factor not justified on the basis of valid economic criteria. Lack of financing to credit worthy applicants means that housing stock in a redlined neighborhood cannot be used effectively by home seekers, and that necessary maintenance will be deferred for lack of funds. The resulting market stagnation and physical deterioration is then used as further justification by lenders in denying credit.

■ How does disinvestment affect Grand Rapids' central city area?

Disinvestment is a side effect of redlining, in which bank deposits are collected in one neighborhood and invested somewhere else. Bank customers living in redlined areas face a one-way banking relationship—their dollars are deposited in banks which refuse to extend credit necessary to meet their household and business needs.

■ Does the CRA force banks to make "bad loans"?

No. By law, every bank and savings institution in the country has an obligation to help meet the credit needs of the community in which it operates. The key issue is not risk; it is obligation. Loan decisions are based on where the biggest profit can be made. A home mortgage for \$40 thousand does not generate the same profit as one for \$140 thousand. As lending institutions "disinvest" or ignore the core city market our neighborhoods suffer. Community reinvestment is needed for a strong and vital Grand Rapids.

■ How can we get a bank to improve its lending in our area?

Community groups can work with banks to achieve adequate credit availability by examining credit criteria, setting up community-wide marketing efforts, encouraging necessary banking services, and exploring creative public and private mortgage financing potential.

Community Reinvestment efforts can change this pattern.

Across the country, community groups are working with financial institutions to obtain lending agreements meeting their credit needs. In 1986 alone, community groups won \$427.3 million in lending agreements with their local banks. Although credit availability is not the answer to every community problem, organizations have addressed a broad range of housing and economic development needs through agreements which include:

Low-interest mortgages enabling low and moderate income people to buy a home in their community;

Credit for home repair in previously disinvested neighborhoods;

Affordable housing built with financing provided to community development organizations, including both rental and special homeownership opportunities;

Loans to open or expand small businesses vital to local economies.

Your support is an important part of Community Reinvestment efforts in Grand Rapids. To obtain further information about how you or your organization can make the difference, contact the **Coalition for Community Reinvestment**, c/o: SEED, 368 Diamond SE, Grand Rapids, Michigan 49503, 451-8229.

Coalition for Community Reinvestment Mission Statement

It is the mission of the Coalition for Community Reinvestment to encourage Grand Rapids lending institutions to fulfill their legal obligation to meet the housing and small business credit needs of all Grand Rapids neighborhoods.

CCR is a coalition of community-based organizations, concerned citizens, and others unified for the purpose of providing affordable housing. We are calling for reinvestment in the Grand Rapids central city by joining, in a cooperative spirit, with local lending institutions. It is our belief that these lending institutions must reaffirm their commitment to our central city by reversing the trends of significantly declining credit and vanishing banking service in Grand Rapids' low and moderate income communities.

The Coalition for Community Reinvestment, of Grand Rapids, pledges to work cooperatively with local lending institutions to realize a responsive, long-term commitment to investiture in Grand Rapids central city.