September 27, 2011

TO: The Board of Governors of the Federal Reserve System and the Federal Reserve Bank of Chicago

RE: Capital One and ING Direct Merger

FROM: Kevin F. Jackson

Good Morning. My name is Kevin F. Jackson, Executive Director of the Chicago Rehab Network, the leading coalition of community development corporations in the region. CRN, a coalition of non-profit community development corporations and advocates, provides a unique point-of-view impacting people, communities, and systems which lead to stronger neighborhoods through housing affordability. For nearly thirty-five years we have provided strong policy analysis, technical assistance and training from which troubleshooting and best practices often emanate, and have delivered research and analysis of private and public sectors practices impacting our local communities. Our members have been responsible for the preservation and creation of tens of thousands of affordable housing unit in Chicago and the region.

Early this year, CRN released **Building Our Future Chicago Toolkit** which included data showing direct evidence that household instability has increased dramatically in the last decade. In Chicago, renter housing cost-burden rates have historically tracked at above the national average: in 2000, 50 percent of Chicago renters were cost-burdened and 20 percent were severely cost-burdened. By 2009, these numbers rose to 55 percent and 28 percent, respectively. Increased pressure on the rental housing market will intensify the demand for affordability forcing households to spend more of their income just to meet housing costs.

The first hand reports regarding access to credit from our community-based members are troubling. Time and time again, credit is not forthcoming and is exceedingly hard to obtain in order to meet affordable housing demands. Not only are consumers being denied; so too, are the development corporations that are being awarded federal and local government revenues to build, but must struggle to access private credit to complete the development. One of our Chicago leaders, recognized nationally in the field, described financial institutions as “very hesitant to offer the range of products that help us get the deal done.” Their recent experience is that banks are demanding one-for-one collateral even for a letter of credit. In fact they had to “over collateralize more than a $1 for $1 to obtain the letter of credit.” This was not for a loan, but a performance guarantee letter of credit that they backed with cash and real estate.

If this is the experience of one of Chicago's leading community development corporations, one of the best, imagine what will happen to the rest. The result of this severe lending climate will knock out every small construction company and local businesses in our neighborhoods and undermine the growing need to stabilize our communities, our households and our economy by building and preserving affordable housing.

The Chicago Rehab Network opposes this merger until there is convincing evidence that credit requirements in communities will be met. In particular community development lending for the development and preservation of multifamily rental and affordable ownership is fundamentally crucial.

We stand with **NCRC** and the **Woodstock Institute** and request that if the Federal Reserve Board moves forward and approves this application despite our strong objections, we believe that the following three recommendations should be required as conditions of approval:

> **1.** Capital One's CRA performance evaluation is over five years old and its current exam is not yet completed. The Federal Reserve Board should first complete the current exam and allow public comment on it before considering this application. Capital One's last- minute pledge to invest $180 billion over 10 years, consisting primarily of credit cards and auto loans to low- and moderate-income people, is not sufficient to demonstrate a record of meeting community needs.
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> ***Recommendation:*** We urge the Federal Reserve Board to require Capital One to provide local, quantifiable mortgage, community development lending, financial services, and small business lending commitments in all metro areas, states, or rural counties where it has a credit card lending, mortgage lending, or deposit market share of five percent as a condition of approval.
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> **2.** Capital One did not continue the community reinvestment commitments made by Chevy Chase, which they acquired in 2009. Under a settlement reached with the U.S. Department of Justice in 1994 for failing to offer services in communities of color, Chevy Chase agreed to take all reasonable steps to obtain a market share of mortgage loans in predominately African American communities that is comparable to its market share in white communities. According to an analysis by the National Community Reinvestment Coalition, Capital One has not achieved comparable market share in many of its markets, including the Washington D.C. metro area.
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> ***Recommendation:*** The Federal Reserve Board should require, as a condition of approval, that Capital One adopt and meet local, quantifiable lending goals to improve the combined institution's market share of originated mortgage loans in low-wealth communities and communities of color.
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> **3.** Capital One and ING Direct currently have minimal CRA obligations as a result of a limited branch presence. Both banks carry out a substantial portion of their business throughout the country, but have a minimal branch network. Capital One has credit card customers in Illinois and ING Direct receives deposits from Illinois customers, but neither bank designates the Chicago region or Illinois as assessment area. We urge the Federal Reserve Board to adopt meaningful

modernization of the rules implementing the Community Reinvestment Act, including changes to the rules designating assessment areas, before considering approval of this or any application that would allow financial institutions to expand without clear community reinvestment obligations.

Recommendation: The Federal Reserve Board should require Capital One, as a condition of approval, to meet lending, investment, and financial services obligations in all areas in which it has a market share of five percent or more.

Thank you for the opportunity to discuss the credit requirements across our communities. The recent Census numbers should compel us to act soundly and clearly so that we can provide the foundation for individuals and families to participate in the commerce of community and rebuild. Your decision will impact these numbers as reported by Social Impact:

1,114,530 people living in the Chicago region experienced poverty in 2010, a rate of 13.6%, up from 12.6% in 2009 and 10.6% in 1999.

From 1999 to 2010 household median incomes dropped dramatically across the region, with the largest decline happening in Lake County ($16,362) and the smallest in Chicago ($5,766)
Overall 14.6% of Midwesterners are living in poverty. The number of people in poverty in the Midwest dramatically grew by 3,127,842 people from 1999 to 2010.

And for the sake of our next generation consider Voices of Illinois Children's frame of the poverty that needs everyone's involvement to address:

More than 600,000 Illinois children were living in poverty last year, according to new Census Bureau data released today. ***The state's child poverty rate jumped from 16.6 percent in 2007 (before the recession) to 19.4 percent in 2010. Equally alarming, 22 percent of children under age six were living in poverty in 2010.*** *Young children have the highest poverty rate of any age group.*