



Model Bank – Serving Toledo’s credit and other banking needs

As a result of the concerning patterns that the Center was uncovering and that it shared with representative from the Department of Neighborhoods of the City of Toledo, the Center staff (at the suggestion of the Director Tom Kroma) composed a list of the characteristics that a “Model Bank” for Toledo would exhibit. The characteristics of a lender and of products that would best serve Toledo’s needs are below.

- Mortgage loan products that offer underwriting flexibilities and features to help serve low- to moderate- income home buyers and communities. Local underwriting staff for community products, i.e. those who know and understand the Bank’s service areas. A model bank should also provide a loan product that assists with rebuilding credit and offer home repair loans.
 - Lower down payment
 - Lower or no mortgage insurance
 - Not limited to first-time home buyer
 - Seller-paid closing costs
 - Lower minimum credit score
 - Flexible underwriting terms
- Banking products that reduce barriers to banking and increase access to the financial mainstream by providing low-income **unbanked** and **underbanked** individuals with free or low-cost starter or “second chance” bank accounts and access to financial education.¹
- A model bank should engage in the creation, supervision, and maintenance of student-run bank branches/credit unions in local schools and/or community hubs/centers. Other communities have located such bank branches in low-income, diverse neighborhoods and limited bank services to students, teachers, and parents, but allowed students to oversee real accounts handling real money. Students receive training to work as tellers and receive stipends, college scholarship money, etc. in return for their work. This innovative type of project was featured at <http://www.npr.org/2014/06/04/318489887/as-banks-open-in-schools-a-chance-for-students-to-learn-to-save>.
- A model lender would engage in self-testing or contract with NFHA or an affiliate to make sure that it is in compliance.
- A model lender would allow for the use of alternative indicators of positive payment history, i.e. other than traditional credit, such as the use of VantageScore.

¹ **Unbanked**: No checking or savings account.

Underbanked: Has an account, but relies on alternative financial services, like check-cashing services, payday loans, rent-to-own agreements or/and pawn shops.

- A model lender would expand educational programs to help individuals become more knowledgeable about the borrowing process to minimize apprehensiveness about seeking credit and financial assistance.
- A model lender would be committed to making mortgage and home improvement loans available to qualified borrowers in every census tract in our community.
- A model lender would have a physical presence, i.e. bank branches in integrated neighborhoods with hours of operation comparable to those that bank branches in suburban and/or predominantly white neighborhoods have.
- A model bank would openly engage in self-monitoring for CRA compliance and its effectiveness in serving community credit and banking needs. This would include not only the self-testing mentioned above, but also regularly meeting with fair housing professionals and sharing information necessary for timely analysis and feedback.
- A model bank would share information about the Center and its services with its clients, both generally and when a client experiences an adverse action such as a denial of a banking product or service.
- A model bank would have a diverse staff at all levels.
- A model bank would train all employees involved in lending (including sales, marketing, branch staff, etc.) in fair lending practices.
- A model bank would designate an individual as the bank's liaison officer.
- A model bank would work with borrowers who experience an unforeseen financial hardship or unemployment in order to avoid foreclosure and keep residents in their homes.
- A model bank would take all reasonable steps to provide financial and technical assistance for housing rehabilitation for low- and moderate-income persons and for low- and moderate-income rental housing development.
- A model bank would provide FHA and VA mortgage loans to all credit worthy persons who wish to obtain such loans and not place any limitations upon the number of such loans that it makes available.
- A model bank would develop and implement an affirmative marketing plan to encourage home mortgage and home rehabilitation loan applications from low- and moderate-income and minority persons in low-/moderate-income or predominantly minority census tracts.
- A model bank would include all areas of census tracts that are low- and moderate-income.
- A model bank would to the greatest extent feasible make available financial assistance for expansion, rehabilitation, or development of businesses located in low- and moderate-income and predominantly minority census tracts.
- A model bank would develop and implement an affirmative marketing program in order to attract more applications by minority- and female-owned businesses.
- A model bank would avoid applying credit overlays to the existing requirements under the QM Rule for sale to GSEs.
- A model bank would take all steps reasonable and necessary to purchase Industrial Development Revenue Bonds for industrial development projects in low- and moderate-income census tracts. A model bank would also participate in and facilitate public forums regarding IRDB and other financial mechanisms funding economic development in low

and moderate income neighborhoods (with other neighborhood/community groups). These efforts should be undertaken with the purpose of attracting and encouraging participation by business in job creating mechanisms and to provide information about the practical aspects of using these funding mechanisms.

- A model bank would utilize minority suppliers, contractors, and services wherever possible.
- A model bank will provide contributions to a variety of organizations to encourage housing and community development in the central city.
- A model bank will use corporate lending and account policies as guidelines only.
- A model bank will partner with Financial Opportunity Centers and similar agencies involved in helping households achieve financial stability and increase income and wealth.
- A model bank will have more of a holistic, personal, flexible, and community-needs driven approach to serving customers (an approach most often associated with credit unions)– a bank whose staff looks for positive and/or creative solutions to financial needs rather than just processing applications.
- A model bank will maintain a local Community Lender/CRA Officer.

In addition to the aforementioned attributes, the list below details “minimum standards” that Center staff developed in the early 1980’s and is still relevant to the banking needs of Toledo today.

1. Personal checking program geared to serve the needs of low-/moderate-income persons with a number of free checks monthly (e.g. 8-10) and no service charge;
2. Savings accounts without minimum amount requirements;
3. Proportional number of mortgage and home improvement loans in the 41 predominantly minority census tracts;
4. Compliance with the Fair Housing Act, the Community Reinvestment Act, and the Equal Credit Opportunity Act – e.g. no minimum mortgage amounts or minimum home improvement amounts, no tiered rates, equal treatment for applicants and neighborhoods;
5. Participation in affirmative lending programs;
6. Equitable distribution of full-service neighborhood branches throughout Toledo neighborhoods with equal lending hours;
7. Appraisals available to the public;
8. Disclosure of pertinent applicant information and disposition of applications;
9. Affirmative marketing;
10. Restraint in mortgage foreclosure; and
11. Equal opportunity employer.