



THE COMMUNITY REINVESTMENT
ASSOCIATION OF NORTH CAROLINA

2006
ANNUAL REPORT



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THE COMMUNITY REINVESTMENT ASSOCIATION OF NORTH CAROLINA

Formed in 1986 as a project of North Carolina Legal Services, CRA-NC has played a key role in shaping the attitudes and policies of North Carolina's banks toward CRA and community development. Through challenges of bank mergers, CRA-NC has secured agreements totaling more than \$40 billion in mortgages, small business lending and community development investments for low wealth communities. These agreements have led to countless partnerships between banks and nonprofits.

Our success in creating access to wealth-building credit was being undone by predatory mortgage lending. To end this destructive practice, CRA-NC has played a leadership role in fighting abusive corporate practices and promoting legislative and regulatory solutions at the state and national level. With the publication of our book *"Payday Lending, Too Much Month at the End of the Paycheck"* in 2001, CRA-NC again provided leadership in a five-year campaign to oppose this high-cost, short-term credit that erodes families financial stability. We are glad to celebrate the end of payday lending for North Carolina.

CRA-NC continued its tradition of advocacy for social justice in 2006. To promote financial literacy, we produced and broadcast the first season of our TV-mini-series, *Nuestro Barrio*, and presented a weekly broadcast of *The Richard Brown Show*. We pushed for policy reforms in the manufactured housing sector, and waged corporate advocacy campaigns to promote and protect community wealth. We look forward to building on these projects and taking on new challenges in 2007.

FROM THE EXECUTIVE DIRECTOR

Greetings,

Our annual report gives you a brief summary of the Community Reinvestment Association of North Carolina's (CRA-NC) activities and success in 2006. Our mission is to build and protect community wealth, and we have done so in diverse and creative ways. I want to thank the hard-working staff and the many people who participated in our projects, from those who helped with the renovation of our new office, to guest speakers on the Richard Brown Radio Show, to the 100-plus people working on Nuestro Barrio, to board members, volunteers and our generous funders. They say that no achievement is accomplished alone, and this year's accomplishments are a testament to extraordinary support and teamwork.

I especially wish to recognize Freddie Mac, the secondary mortgage company, that had the vision and confidence to invest in Nuestro Barrio. With Freddie Mac's support we developed our pilot television show that provides financial education in a soap opera format to a series that will have national distribution through PBS in 2007.

As you read the report, I hope that you can see our aspirations for a more just and inclusive society and the fun we had in working for it.

Sincerely,



Peter Skillern
Executive Director



Acknowledgements to Funders:

BB&T
Center for American
Progress
CFED I'M HOME
City of Durham
Fannie Mae Foundation
Warner Foundation
Fenwick Foundation
Freddie Mac
Ford Foundation
Heron Foundation
North Carolina
Attorney General
Triangle Community
Foundation
Z. Smith Reynolds
Foundation

BOARD OF DIRECTORS

EXECUTIVE COMMITTEE

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Executive Director
River City CDC
Elizabeth City, NC

Anthony Clark (Vice President)

Executive Director
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Rich Square, NC

James Carl Manning (Secretary)

Executive Director
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President and CEO
Consumer Credit Counseling Service
of Forsyth County
Winston Salem, NC



Stella Adams

Executive Director
NC Fair Housing Center
Durham, NC

Chris Estes

Executive Director
North Carolina Housing Coalition
Raleigh, NC

Shayna Simpson-Hall

Executive Director
NC IDA and Asset Collaborative
Raleigh, NC

Karla Haynes

Executive Director
Cleveland CDC
Shelby, NC

Irvin Henderson

Henderson and Company
Henderson, NC

Dan Kornelis

Director of Housing
Forsyth County, North Carolina
Winston-Salem, NC

Rich Lee

Executive Director
Durham Affordable Housing Coalition
Durham, NC

Kate Rumely

Executive Director
Brick Capital CDC
Sanford, NC

Willis Williams

Jamesville CDC
Jamesville, NC



CONTINUING OUR LEGACY OF SUCCESS

OUR ACCOMPLISHMENTS IN 2006

ORGANIZING FOR COMMUNITY WEALTH

Ending Payday Lending

The Community Reinvestment Association of North Carolina (CRA-NC) uses creative advocacy and community organizing to fight predatory lending and encourage financial institutions to adopt fair and just lending practices. The agency is responsible for over \$40 billion in community lending commitments from North Carolina financial institutions.

On March 2, 2006 the North Carolina Attorney General announced a settlement agreement with the payday lenders declaring the end of payday lending in North Carolina. As a result of the settlement \$700,000 was given to North Carolina nonprofits working on financial literacy.

The settlement was based in part on the North Carolina Banking Commissioner's ruling that Advance America's operations were illegal in our state because our General Assembly had held consistently for over four years that payday lending was illegal. It was also rooted in the FDIC's decision to stop allowing banks to partner with payday lenders that used federal law to pre-empt North Carolina usury laws.

The Community Reinvestment Association of North Carolina is largely credited for providing leadership at the state level in prohibiting payday lending. We are also considered the lead advocacy agency in changing the FDIC regulatory policy.

This caps our five-year campaign to end payday lending. Our victory has strengthened enforcement in 13 other states that prohibit payday lending. By eliminating the bank-payday partnership model nationally and in North Carolina, the payday lending industry no longer extracts \$100 million per year in fees from primarily low-income households.

FAIR AND COMMUNITY-MINDED LENDING PRACTICES

Fighting Refund Anticipation Loans

(RALs: high-cost loans on tax refunds targeted at low-income families)

The Community Reinvestment Association of North Carolina has challenged H&R Block over the past year to improve its lending practices and increase its corporate responsibility. When it created a new thrift bank as a subsidiary without firm commitments on lending and consumer protections, we challenged it and testified at the Office of Thrift Supervision (OTS) hearing. The OTS approved the merger on the same day the New York Attorney General sued H&R Block for defrauding low-income investors in their Express IRA accounts. We protested the OTS decision generating press in the New York Post. H&R Block did not contact us during this time.

We then filed a shareholder resolution requesting that the company end its refund anticipation loan program. Concurrently, CRA-NC nominated Peter Skillern, Executive Director, for the H&R Block board of directors. H&R Block invited us to meet with the top management in which we came to a better understanding of each other's position. We also continued to advocate for changes.

The Securities and Exchange Commission ruled that our resolution was related to ordinary business, and H&R Block excluded it from the proxy. Peter Skillern's name did not appear on the proxy as a candidate and he lost the election by 330 million shares. But H&R Block announced a series of reforms that significantly reduced the cost

This innovative organization supports practices and policies that increase the wealth of communities typically overlooked by the financial services industry.

***CRA-NC Initiatives
address:***

- ◆ *Community reinvestment*
- ◆ *Predatory lending*
- ◆ *Refund Anticipation Loans*
- ◆ *Payday loans*
- ◆ *Gaining minority access to community advisory boards and jobs at North Carolina banks*
- ◆ *Economic justice issues*
- ◆ *Manufactured housing reform*
- ◆ *Discrimination in lending*

of their refund anticipation loan products to meet North Carolina's 36% interest rate cap. They also improved their savings programs for the unbanked.

USA Today sent a photographer to the shareholder meeting and Mr. Skillern appeared on the front page of its October 22 Money Section calling for an end to Refund Anticipation Loans. Mr. Skillern met with the Commissioner of the Internal Revenue Service to discuss the role the IRS can play in ending RALs. If over time we are as successful in ending RALS as we were in ending payday lending, we may save low-income households more than \$62 million in North Carolina and \$1 billion dollars nationally each year from RAL fees.

MANUFACTURED HOUSING REFORM

Advocating for better homes and neighborhoods

Housing of choice or of last resort? Manufactured housing is both, but more important, it is home for millions of Americans. Mobile home parks are prevalent in North Carolina with an estimated 4,000 communities. Yet manufactured housing seems invisible to many policy makers, community development groups, and the public at large; residents are often left out of housing initiatives and policy reforms, and they are ignored or stigmatized in the public eye.

The Community Reinvestment Act is federal legislation to prohibit redlining, or a refusal to lend to certain neighborhoods and to increase investments in low-income communities. Mobile home parks are being redlined for wealth building credit by public and private capital sources. CRA-NC is advocating for new investments, policy tools and consumer protections to recognize these as homes and neighborhoods deserving of better treatment.

In 2006, we incorporated training curriculum on buying a manufactured home into the certification and training for all housing counselors in North and South Carolina. More than 60 counselors from 50 housing counseling agencies received this training, and more will be trained in the future. We hosted two community development workshops with trainers from Vermont and New Hampshire on converting land lease communities to nonprofit resident control, which involved 40 nonprofit or governmental agencies. We advocated for a public policy solution to remove 40,000 abandoned mobile homes in North Carolina as a basic regulator tool to improve mobile home

The average manufactured home costs one-fourth as much as the average site-built home. Manufactured housing accounts for more than 70 percent of affordable units in the United States. Yet advocates and nonprofits often shun this sector. CRA-NC is challenging the housing community to engage on manufactured housing.

Policy must recognize the continued persistence of problems in the market. And it should also affirm the potential of manufactured housing as a point of access for wealth building for low-income people.

parks. Our 2007 Parade of Abandoned Mobile Home Calendar was featured in USA Today Weekend. We worked with financial institutions to create new community development financing for redevelopment. CRA-NC published “Nine Myths about Manufactured Housing Lending” at the Federal Reserve and CFED Assets Building Conference in Phoenix, Arizona. Our book “This is My Home” examines challenges and opportunities in land lease communities through photographs, interviews and policy analysis. It will be released in 2007.

STRENGTHENING COMMUNITY NETWORKS THROUGH MEDIA

Nuestro Barrio TV Mini-Series



This year, CRANC produced 13 episodes of a television series about Hispanic life in the United States. *Nuestro Barrio* is in the forefront of the new trend of “edu-tainment” programming, with character-driven dramatic storylines rooted in real life issues. The show uses the popular “telenovela” or soap opera format to address financial literacy and human relations issues, including home ownership, credit, and the dangers of predatory lending.

Funded by Freddie Mac, the project is used by bank partners to market their banking services and to provide financial literacy. Along with the commercial broadcast, the banks work with branches and nonprofit partners to distribute the series on DVDs, which are accompanied by a photonovela providing financial literacy.

Nuestro Barrio is the foremost financial literacy media tool for Hispanics in the United States. It is also the first U.S. produced Spanish Language program to air on English language broadcast television in the United States. The show has aired in all media markets in North and South Carolina and is currently airing in Miami, Austin, Dallas, Houston, and Phoenix. We anticipate distributing *Nuestro Barrio* into the top Latino media markets across the country

CRA-NC’s Media Advocacy division strategically uses media as a resource for advancing social or policy initiatives, particularly through the use of video and radio.

CRA-NC aggressively seeks to provoke discussions of race and class. We apply a wide variety of tactics to accomplish this mission, including community mobilization and media advocacy.

through the new V-ME service, created by WNET, a PBS television affiliate in NY for Spanish speakers. Nuestro Barrio will be promoted as a main feature of the station. We anticipate availability in 50% of Latino households in the United States. This makes Nuestro Barrio the most widely distributed financial literacy program in the country.

The show has received press coverage in 250 different media outlets including National Public Radio.

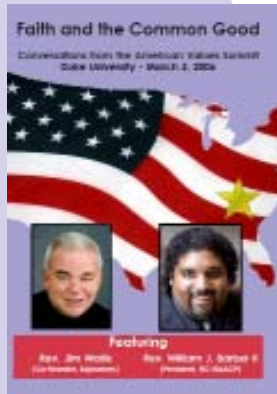
The Richard Brown Radio Show



CRA-NC produced and distributed 50 segments of “The Richard Brown Show,” a new alternative to traditional talk radio shows. The Richard

Brown Show seeks to develop a collective understanding of real-life problems affecting Black North Carolinians and to identify resources and tools to help people resolve these problems through personal action. The program was aired by urban and gospel radio stations and attracted listeners with its positive, progressive content. It was cross-marketed via pod casting and an e-newsletter that reached 5,000 emails weekly.

Faith and the Common Good



The American Values Summit, held at Duke University on March 3, 2006, brought together over 700 community members, students, & faith leaders to join an important conversation on redefining the values debate. It promoted public discourse focused on a broader spectrum of moral values through collaboration with faith based leaders and nonprofits. Summit participants gained a better understanding of moral-political connections and learned

techniques for effective messaging and outreach within their communities. They discussed how to show their neighbors and communities that true American values encompass more diverse values and they took from the conference an expanded network of associates with whom to share information and collaborate.

CRA-NC produced “Faith and the Common Good: Conversations from the American Values Summit” as a 2-DVD set containing over two hours of footage from the Summit. The 2-DVD set contains both Summit highlights and complete keynote addresses from Rev. William J. Barber II and Rev. Jim Wallis, plus selected panels.

CRA-NC’s Media Advocacy division has produced engaging videos on issues including, but not limited to, payday lending, manufactured homes, fair housing, and homeownership. CRA-NC has won national awards for its film work.

BUILDING A HOME OF OUR OWN



CRA-NC Board cuts ceremonial dedication ribbon.

For 20 years, CRA-NC has advocated for policies and programs that help renters to become homeowners and to create investment in distressed neighborhoods. We finally were able to follow our own advice.

CRA-NC bought and redeveloped 110 E. Geer St. a distressed apartment building that was derelict and being used by vagrants, prostitutes and drug users. It is now restored to its 1928 glory and is home to our office and two small startup technology companies.

Located in Little Five Points of Durham, we are part of an effort to revitalize one of the poorest neighborhoods in Durham. It is deeply satisfying to have beautiful space to work within and to see the positive ripple effect in surrounding properties.

The property is financed with a Federal Home Loan Bank EDGE loan in partnership with BB&T. Please come by and visit.



An interior office space



Front and rear views of our new building.

2005 AUDITED STATEMENT OF SUPPORT, REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Unrestricted	Temporarily Restricted	Total
Program Support and Revenues			
Grants	\$198,000	\$132,500	\$330,500
Contributions	86,620		86,200
Fees for Services	850	-	850
Interest and Dividend Income	4,626	-	4,626
Unrealized gain on investments	1,191	-	1,191
Net Assets Released from Restrictions	132,500	(132,500)	-
	<u>43,787</u>	<u>-</u>	<u>423,787</u>
Total Support and Revenues			
Expenses			
Program Services	707,665	-	707,665
Management and General	63,372	-	63,372
Fundraising	13,218	-	13,218
Lobbying	5,409	-	5,409
	<u>789,664</u>	<u>-</u>	<u>789,664</u>
Total Expenses			
Increase in Net Assets	(365,877)	-	(365,877)
Net Assets - Beginning of Year	587,607	-	587,607
	<u>\$221,730</u>	<u>\$ -</u>	<u>\$221,730</u>
Net Assets - End of Year			



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