

“Congress enacted an historic package of **financial reforms** that will shape the financial industry for **decades to come.**”

Sheila Bair, Chairman of the FDIC



**SELF HELP**

*Creating Ownership and Economic Opportunity*

**ANNUAL REPORT 2010**

# LANDMARK CONSUMER PROTECTION LONG TIME COMING

**It's been said that anything worth doing takes at least a decade.**

This rang true for Self-Help when President Barack Obama signed the Restoring American Financial Stability Act on July 21, 2010. The landmark consumer protection law is the strongest financial regulation reform since the Depression and is an enormous victory for working families.

The law wraps up over a decade of Self-Help efforts to protect families from abusive lenders. We helped enact North Carolina's 1999 mortgage protection law, which laid the groundwork for many of the key protections in the 2010 federal law. We extended our mission beyond creating family wealth to include protecting it, and founded the Center for Responsible Lending (CRL), now a leading national voice on reining in abusive lending practices. More recently, we expanded to offer consumer financial services through credit union branches in North Carolina and California.

In 1999 Self-Help and a range of North Carolina partners created the NC Coalition for Responsible Lending. Within six months, North Carolina enacted its groundbreaking mortgage protection law. The sweeping reform was endorsed by nearly every consumer and lending group in the state and approved by a near unanimous vote. The coalition included AARP-NC, NC Association of CDCs, The Association of Housing Counselors, NC Association of Realtors, NC Council of Churches, CRA-NC, NC Credit Union League, NC Housing Coalition, NC Justice Center, NC NAACP, NC PIRG, a number of NC Habitat affiliates, and dozens of other NC organizations.

## COMBINING POLICY AND PRACTICE

Of course these events are related. One of Self-Help's great strengths is the combining of practice with policy: using our lending experience to inform our work promoting lending policies that improve the lives of working families.

Grounded by Self-Help's lending experience, CRL was a crucial force ensuring that the 2010 law included provisions to protect families. CRL worked intensely on:

- Establishment of the Consumer Financial Protection Bureau (CFPB), which can write rules on abusive overdraft and payday lending practices and can ban mandatory arbitration clauses.
- Broad protections against abusive mortgages, such as: requiring lenders to confirm loans are affordable for borrowers, broadly restricting prepayment penalties, and restricting incentives to steer borrowers to high-cost mortgages.
- Support for unemployed homeowners facing foreclosure, for families needing to modify abusive loans, and for neighborhood stabilization programs.

CRL estimates that predatory lending costs over \$60 billion a year.

This legislation has the potential to significantly reduce that.

"I expect this law to truly make a difference in protecting borrowers and ensuring that lenders are held accountable," says long-

time Self-Help staffer and current CRL President Mike Calhoun.

## ABUSIVE PRACTICES CLEARLY LEGAL

Self-Help's work combating predatory lending dates back to late 1998 when homeowners started coming to us seeking to refinance abusive loans. Invariably, nearly all their equity had been stripped by huge up-front fees and unfavorable terms. Even Habitat for Humanity borrowers were deceived into refinancing 0% first mortgages into high-cost subprime loans.

And most of the abusive practices were legal.

Since homeownership is a key strategy in our mission to help families create wealth, this predatory lending epidemic ignited an organizational firestorm. Subprime lending was growing exponentially, and it was clearly modeled on fee-packed refinances that stripped away a borrower's hard-earned equity. A law stopping the abuse was greatly needed.

Soon after enactment of the new NC law, Self-Help started getting requests for assistance from other states and from federal officials. North Carolina's law had gained national attention, and Self-Help's blend of lending, research, legal, and advocacy experience was unique. Self-Help could craft meaningful solutions that curtailed abusive practices without denying

***One of Self-Help's great strengths is the combining of practice with policy...***

# ER PROTECTION LAW

**New financial stability act has roots in a North Carolina mortgage protection law enacted a decade earlier.**

access to fair credit and could verify legitimate lender concerns while debunking specious arguments.

Based on Self-Help's experience as a lender, Martin Eakes testified on the lenders panel at a day-long hearing before the US House Financial Services Committee in May 2000. The last panelist to speak, he explained the North Carolina law, the need for federal reforms, and then credibly dismissed the many inaccurate statements made by preceding panelists. In short order Self-Help was providing technical assistance to dozens of states and localities working to curb predatory mortgage lending.

## TAKING ON PAYDAY LENDERS

Then in 2001, Self-Help turned its attention to payday lenders. North Carolina was debating reauthorization of its payday lending law. Advertised as rare, "emergency" loans, initial studies by the Community Reinvestment Association of North Carolina (CRA-NC) found that payday loans were an abusive product with a business model based on trapping repeat customers in a cycle of debt. The NC Coalition successfully worked to let the law expire, making payday lending illegal. Again the Coalition's work became a national model.



President Obama signing the Restoring American Financial Stability Act into law on July 21, 2010.

As the scope and awareness of abuses grew, the value of a dedicated organization became clear. So Self-Help established the Center for Responsible Lending in 2002. Building on Self-Help's successes in North Carolina and elsewhere, CRL had an immediate impact by assisting

other states and, with a new office in Washington, working intensely at the federal level. CRL played a key role in a 2006 federal law making it illegal for creditors to grant payday loans and car title loans to members of the military nationwide. By 2008

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## Highlights from the Year

### CREATING HOMEOWNERSHIP

Throughout 2010, Self-Help continued to work with people who were ready for homeownership. For La'Toscha Cockrell, "being ready" was a long process that took hard work and changes in the way that she managed her money. La'Toscha is a nurse in Laurinburg, NC, and has sole responsibility for raising two children. With blemished credit, La'Toscha longed for a house of her own but couldn't imagine ever being able to buy one.

Then she heard a presentation by staff members at Scotland Community Credit Union, a division of Self-Help Credit Union. They talked about a "Fresh Start Credit Builder" loan and a disciplined approach she could use to save money and re-build her credit.

#### COMMITMENT AND DETERMINATION

Niki Norton, senior loan officer, quickly determined that La'Toscha was a perfect candidate for a Fresh Start loan, noting "She had already put herself through school to get a better life for herself and her children." Determined to succeed as quickly as possible, La'Toscha checked in regularly with Niki to make sure that she was doing all that was required.

On November 29, 2010, a year after La'Toscha began working with Scotland Community Credit Union, she and her two children moved into their new home in Laurinburg, NC. Branch Manager Jim Hunt recalled that La'Toscha stopped by the branch office the morning of the closing saying that she hadn't slept all night because she was so excited. "La'Toscha is a great example of how determination and hard work pay off," said Hunt. "She cut her spending, chipped away at her debts, increased her savings, and put herself in a position to take on a mortgage she could afford."

#### "WHATEVER IT TAKES"

La'Toscha reports that she, Shaquoria, and Tramaine love their new home — the realization of a dream none of them ever expected to come true. When asked how she was able to turn around her financial life, she said "If you want something badly enough, you'll do whatever it takes."



La'Toscha Cockrell outside her new home.

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Washington's *Politico* newspaper was calling CRL a "main intellectual engine" in offering solutions to the housing crisis.

## CRL GOES NATIONWIDE

Perhaps inevitably, CRL's support of community-based partners in all 50 states necessitated a west coast

office in California. Opened in 2005, the office provided CRL a first-hand view of California's bellwether financial services market. And CRL began to learn about a product dominating California's burgeoning subprime lending market: the 2/28 "exploding" adjustable-rate mortgage that came with steep payment increases and seemed to set up

homeowners for failure.

CRL's consequent 2006 study, "*Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners*," was the first nationwide look at how homeowners fare in the subprime market. The study correctly predicted that the inherent risk and explosive growth of these loans was creating an environment ripe for massive foreclosures. CRL's fact-based assessment, characterized by the mortgage industry as alarmist, was actually conservative in estimating the scale of the problem.

## Highlights from the Year

# BUILDING HOMES. STRENGTHENING COMMUNITY.

In 1995 Self-Help added a new initiative to its wealth-building tool kit: affordable housing development. Self-Help purchased 30 dilapidated rental properties in Walltown, a predominantly African-American neighborhood just north of Duke University's East Campus in Durham, NC. With support from community partners, Self-Help renovated or rebuilt all 30 homes over a several year period and, over time, 40 more, selling them at affordable prices to mostly first-time homeowners.

### HIGH-QUALITY HOMES

Building high-quality homes is a natural extension of Self-Help's mortgage lending programs. Pairing fair mortgages with affordable and well-constructed, energy efficient homes makes sense for our borrowers and for us. What's more, it is an effective way to help improve safety, quality of life, and home values in struggling neighborhoods.

The early Walltown experience has led to the development of more homes in Durham as well as neighborhoods in Greensboro, Charlotte, Fuquay-Varina, and Goldsboro, NC. And as the economic crisis took hold, Self-Help's experience in housing finance and development sparked a new pilot program purchasing, restoring, and reselling foreclosed homes to help rehabilitate neighborhoods on the verge of collapse.

### CELEBRATING 100 DURHAM HOMES

So it was fitting to celebrate the completion of Self-Help's 100th house in Durham – on Sedgefield Street, in the Walltown neighborhood where it all began. Families, elected officials, community partners, and Self-Help staff gathered at noon to enjoy balloons and hamburgers and reminisce about the amazing collaboration that had resulted in this day.



A mother and daughter at the Walltown 100th House celebration.

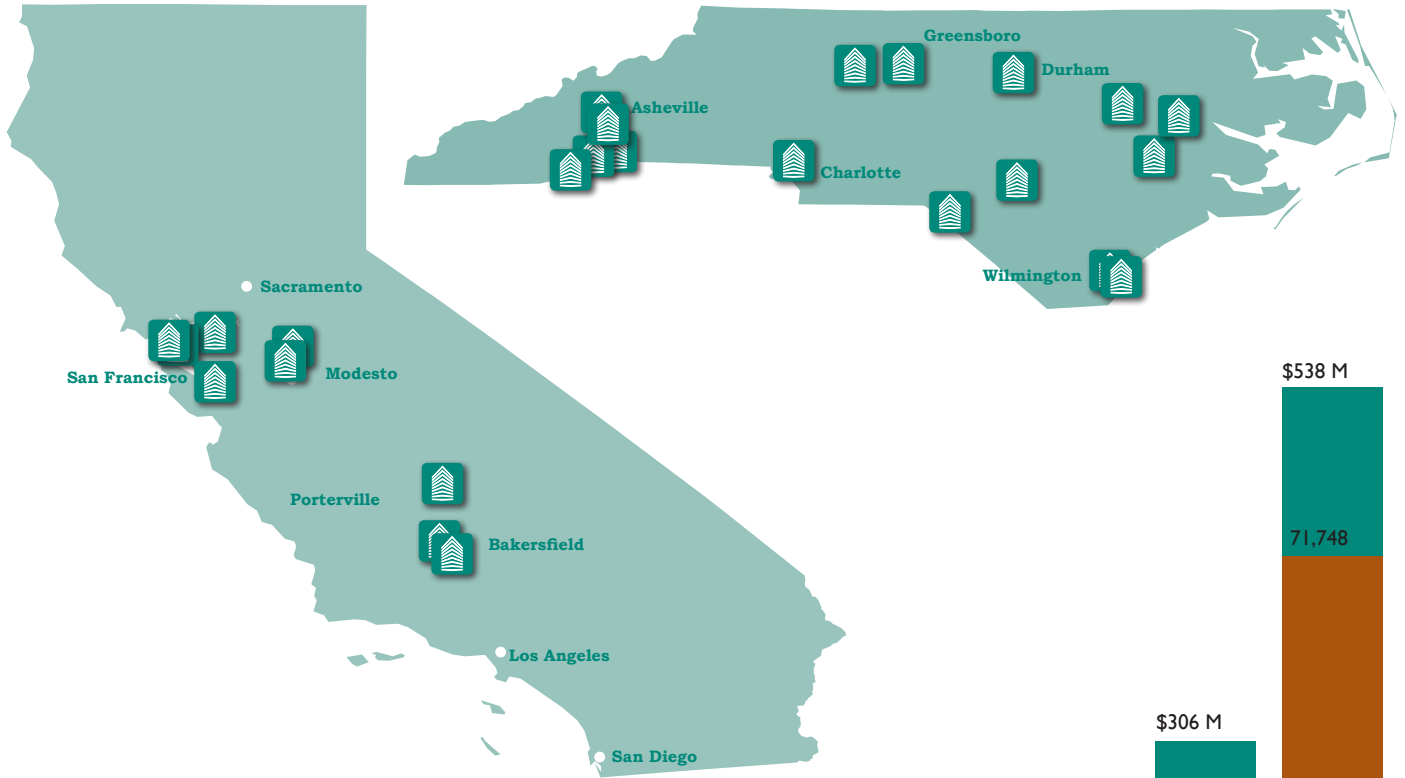
## ENSURING REFORM IS EFFECTIVE

The foreclosure crisis highlighted the need for significant reform. CRL's experience and credibility informed efforts to ensure that the reforms included provisions that truly protect consumers from abusive lenders. CRL, backed by decades of Self-Help's lending work, years as a trusted policy adviser, and a long list of allies, worked successfully to include in the national law virtually all of the most critical mortgage protections initially envisioned in North Carolina's 1999 law. The federal legislation includes provisions such as ensuring that a borrower can afford the loan, banning prepayment penalties on all non-traditional loans and limiting them on conventional loans, eliminating incentives for steering borrowers to more expensive loans, and limiting fees to cut out abusive equity stripping.

CRL also was central to establishing an independent Consumer Financial Protection Bureau (CFPB). Housed at the Federal Reserve, the CFPB is fully independent and empowered to write rules for most consumer transactions such as payday loans and overdraft fees. The new regulator has the potential to be the most lasting legacy of the financial crisis, the only new agency to rival the importance of the agencies established during the Depression, such as the FDIC, FHA and Fannie Mae.

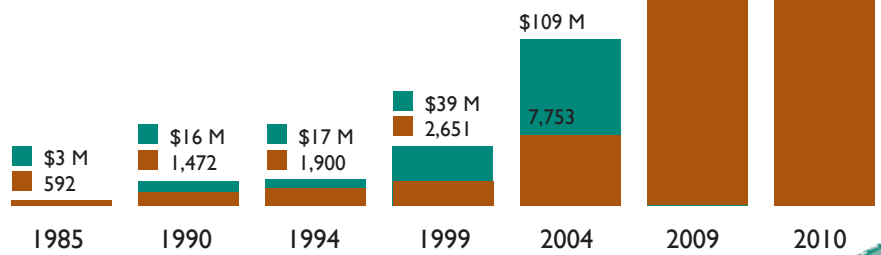
With the enactment of this landmark federal law after a decade's work, CRL's focus subtly shifted. Consumer

# SELF-HELP IN NORTH CAROLINA AND CALIFORNIA



## GROWTH IN OUR CREDIT UNIONS

■ Members ■ Member Savings



The growth of Self-Help's Credit Union services helps preserve fair and responsible financial services for working families. By creating and protecting ownership and opportunity for all, these institutions exist to meet the financial needs of their members and return profits to the communities they serve.

and citizen organizations have fought for 30 years to establish a federal agency to restrict abusive financial transactions. Now we must work to ensure that the CFPB uses its power to write rules to end unfair lending practices and fight efforts to undermine the law. CRL will be pushing for greater protections against exorbitant debit card and checking account penalty fees, working to eliminate payday lending at interest rates above 36%, and seeking additional solutions for rising foreclosures.

### POLICY MEETS PRACTICE

Circling back to Self-Help's financial services core, CRL's work and presence in California has led to one of Self-Help's most exciting new initiatives — the founding of Self-Help Federal Credit Union in

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Just as in North Carolina, a strong and active coalition of allies at the federal level was critical. The tireless work of organizations including AARP, Americans for Financial Reform, the Consumer Federation of America, the Leadership Conference on Civil and Human Rights, the NAACP, the National Community Reinvestment Coalition, the National Consumer Law Center, the National Council of La Raza, National Urban League, and the Rainbow PUSH Coalition made the 2010 financial reforms a reality. Many of these organizations have been working to protect borrowers for decades. Indeed, we continue to accomplish together what none of us could acting alone.

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California. Self-Help Federal was launched in July 2008 after CRL research made clear that abusive products were making affordable retail financial services, such as fair checking accounts, too scarce. The creation of Self-Help Federal was also a natural fit to help ensure that CRL policy and Self-Help's lending culture continue to inform each other.

Self-Help Federal has rapidly grown to almost \$210 million in assets, with approximately 31,000 members and eight branches in California. Indeed, it is the fastest growing credit union in the country. Again underlying the importance of partnerships, this growth has been accomplished mainly by merging with California credit unions that share Self-Help's values. Joining the Self-Help family allows these credit unions to stabilize and

thrive in serving members who might otherwise go without a local financial institution.


## SAFE AND AFFORDABLE

Self-Help Federal offers accessible checking and savings accounts, responsible auto and personal loans, affordable transactions like check cashing and remittances, and home mortgages. There are long-term plans to introduce small business and non-profit lending in California. All of these services are designed to help families maintain access to safe and affordable financial products, which is even more critical in this severe economy.

Similarly, North Carolina's Self-Help Credit Union is increasingly focused on providing basic banking services to its growing membership. Historically more of a lender than a provider of retail services like checking accounts, SHCU now serves more than 37,000 members from 16 offices across the state.

## WIN-WIN PARTNERSHIPS

The growth of Self-Help's credit unions is evidence of how the organization leverages win-win partnerships to build on lessons learned. When Self-Help started working on predatory mortgage lending, we were drawn by our mission of helping families create wealth and our experience as a mortgage lender to act to rein in abusive, wealth-stripping loans. CRL has helped translate Self-Help's lending experience into workable policy solutions. As CRL has grown and become engaged in a wider range of consumer credit issues, Self-Help's credit unions have grown dramatically.

This symbiotic relationship strengthens Self-Help's ability to serve its members and protect vulnerable families. All of Self-Help's work is united around a common goal: helping ensure fair and affordable access to capital and financial products and services. 

## Highlights from the Year

### KEEPING FAMILIES IN THEIR HOMES

Self-Help borrowers continued to face economic challenges in 2010. With unemployment rates that remain stubbornly high, it is no surprise that a majority of our delinquent borrowers cite job loss and income reduction as the reason for falling behind on their mortgages.

#### UNIQUE REASONS

Self-Help has always gone out of its way to understand the reasons for missed or late payments. This requires data systems that alert us to borrowers falling behind, staff to track down and understand the circumstances of a delinquent borrower, and a thoughtful approach to creating payment plans that work.

Losing a home is devastating. Aside from the personal turmoil, the impact on a family's long term financial outlook can be debilitating. Furthermore, each foreclosure impacts the entire neighborhood, depressing home values, reducing tax revenues, and leaving vacant homes vulnerable. Self-Help's efforts to keep borrowers in their homes are not just good for the family, they're good for the whole community.

Sandy Parker is one of several Self-Help staff members devoted to finding solutions for families who are having trouble making their mortgage payments. Sandy speaks of her work with an understanding of how good people get into tight spots.

#### A "GUARDIAN ANGEL"

In July of 2010, Sandy helped out a Charlotte borrower by delivering critical loan modification papers to her hospital bed. This woman, a cafeteria worker who, since becoming a home owner, had experienced divorce and serious illness, was thrilled to receive the time-sensitive documents, calling Sandy her "guardian angel." Not every troubled borrower requires that sort of personal attention. Yet Sandy's compassion characterizes Self-Help's determination to treat people as far more than a number on a monthly delinquency report.



Brenda and Silvio Grenados live in Peachtree Hills, the location for Self-Help's first Neighborhood Revitalization pilot program.

# FINANCING JOB CREATION

High unemployment is a devastating result of the current financial crisis. While economists have declared an official end to the recession, more than 15 million people remain unemployed. The situation is even more grim for people of color, with a jobless rate of 13.2 percent for Hispanic populations and 16.0 percent among African Americans.

Small businesses are the main generator of new jobs; small firms provide jobs to half of all private sector employees. Minority-owned firms alone employ 5.9 million people. Self-Help loans provide entrepreneurs with funding to start or expand businesses, creating new jobs in fragile communities.

## A COMMERCIAL LOAN CASE STUDY: PERSONALIZED THERAPY, INC.

Kim McIntyre and the team at Personalized Therapy, Inc. (PTI) work hard to keep families together and children in school. After earning her master's degree in counseling in 2000, Kim went to work as a school and community counselor. A few years later through hard work, good luck, and support from her employer, Kim launched a private practice with an established client base. PTI initially worked to treat children, adults, and families with mental health or substance abuse issues. As North Carolina's mental health system changed, the organization was asked to provide much-needed child and adolescent community-based treatment services in surrounding rural counties.

### MEETING STATE REGULATIONS

More recently, PTI established a child and adolescent day treatment program called "Milestones." Due to state regulations, the program had to be fully staffed and equipped to handle an influx of new clients before the first referral was accepted. A \$123,000 loan from Self-Help, financed with support from the Golden LEAF Foundation, allowed the organization to open its doors to approximately 32 new children and their families and created or maintained 45 jobs in the community.

### TACKLING SUBSTANCE ABUSE AND MENTAL HEALTH

Milestones offers therapeutic interventions during both school and after-school hours to children as young as five who are experiencing difficulties functioning in a traditional classroom setting. The highly qualified staff of 28 professionals bring a creative energy to their work. "I never could have imagined succeeding without the support of our community and staff," says Kim McIntyre.

The Milestones program seeks to help students return to traditional schooling as soon as possible and provides alternatives when they can't. By keeping kids in school, PTI makes it easier for parents and caregivers to keep their jobs and maintain stable homes.



Staff at Personalized Therapy, Inc. discuss their new child and adolescent day treatment program, Milestones.

## Highlights from the Year

### CREATING EDUCATIONAL OPPORTUNITY

Quality public education is critical for low-income families to achieve economic and social mobility. Self-Help supports high-performing public charter schools, especially those that teach students of color from low-wealth communities. One example of Self-Help's education lending work in 2010 is the \$6.5 million loan in support of Rocketship Education's network of high-performing charter schools. This loan financed the construction of a new school in a low-income and predominantly Latino neighborhood in East San Jose, CA. Of the 420 students, 85 percent are low-income and 95 percent are children of color. These students are expected to achieve 1.5 years of academic growth every year.

### ACCELERATED LEARNING

Rocketship makes this possible by extending its school day, focusing on individual education and specialized instruction with a strong computer-based component, and deep community involvement. The school's founders have already proven the success of the model at two other elementary school campuses, outperforming the local area school districts and matching the significantly more affluent Palo Alto School District's scores despite the challenges of lower financial resources, a lower-income population, and a larger percentage of English Language Learners.



A Rocketship staff member leads an outdoor play and learning session.

# HIGHLIGHTS FROM 2010

Our mission is to create and protect ownership and economic opportunity for all, especially people of color, women, rural residents, and low-wealth families and communities.

In 2010 we invested \$293 million in 5,472 families, individuals, and organizations, including:



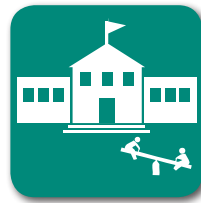
**Home Ownership:**  
1,253 homeowners building family wealth through homeownership



**Consumer Financial Services:** 71,748 credit union members with \$538 million in savings



**Small Business Lending:**  
84 entrepreneurs who created 1,349 jobs



**Community Facilities:**  
30 loans that financed 1,412 childcare spaces, 4,226 public charter school spaces, 20 housing units



**Real Estate:**  
10 energy-efficient, affordable homes completed; 16 buildings owned and under management providing office space for 204 tenants and 2,357 employees

