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Breaking the Bank / (Re)Making the Bank: America's Financial Crisis and the Implications for Sustainable Advocacy for Fair Credit and Fair Banking

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THE OHIO STATE UNIVERSITY

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Breaking the Bank / (Re)Making the Bank: America's Financial Crisis and the Implications for Sustainable Advocacy for Fair Credit and Fair Banking

Prepared for the Kirwan Institute

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Introduction

The nation's response to the "Great Recession"[1] has been surprisingly short-sighted. The news stations are starting to report that recovery has begun, albeit slowly, and that the country is getting back on track.[2] But getting the country "back on track" is likely the wrong goal. After all, getting back on track only means getting some people stabilized again – back in homes, back in jobs – and does not address the structure of racial and class segregation in America that helped get us into this mess in the first place. Indeed, getting "back on track" is just a Band-Aid, potentially setting us up for another crisis.[3]

For those paying attention, the foreclosure crisis has done more than remind us that there is still a race problem in America -- it has unmasked the power of the financial elite and their ability to exploit us all. The patterns of foreclosures and predatory lending, after all, have most affected people of color and lower-income individuals. The Kirwan Institute, drawing on a report by United for a Fair Economy, indicates that "people of color are more than three times as likely as whites to have subprime mortgages."[4] Our own research on this issue, done as part of an analysis of regional equity in the Bay Area, indicates that people living in the highest foreclosure ridden areas were 72 percent people of color.[5]

But it is more than foreclosure and the disappearance of wealth that this disproportionate impact on people of color signals. Our financial system has a distinctly racial character, one that requires a response rooted in racial and social justice. After all, this is coming on the heels of a history of trying to keep these same individuals from buying homes in certain neighborhoods through redlining – and when community push led to bank shove, the opening to credit meant that many were pushed into loans that were detrimental to their livelihoods and their asset accumulation. Nationally, African Americans are 2.7 times more likely to have a high-cost loan than whites, and Latinos are 2.3 times more likely (ACORN 2007:2). What's even more interesting: when that data is disaggregated into income bands, the discrepancy in loan issuance by race is greatest in the wealthiest bracket (see the figure below). Clearly, this is more than an income affect – there are discriminatory factors in play.

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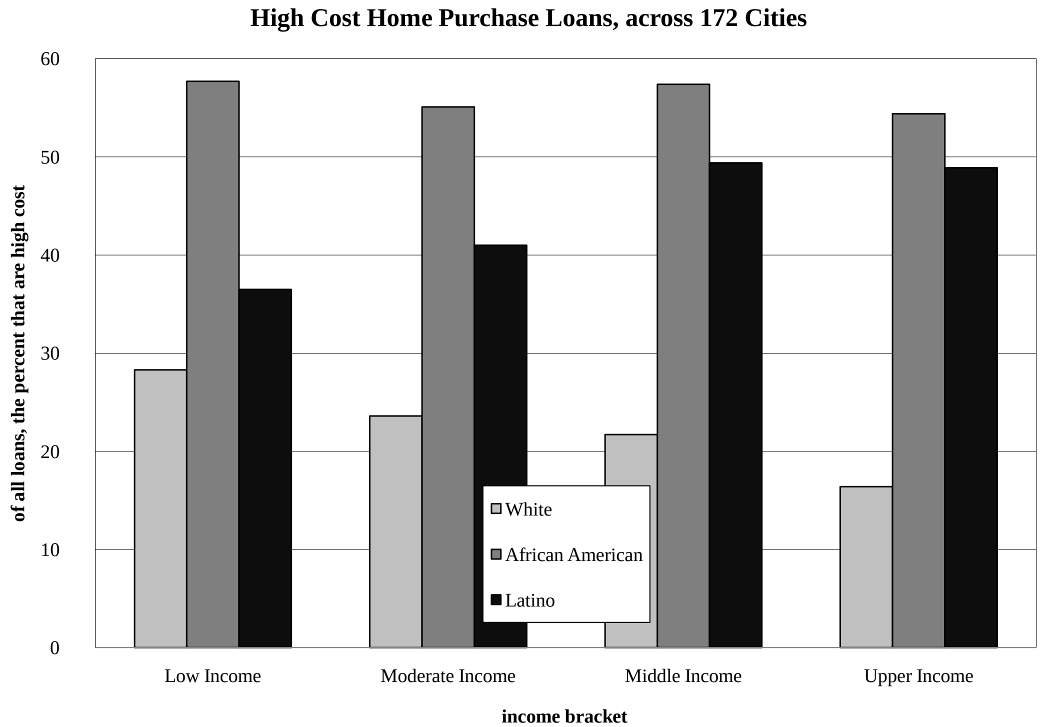
[1] James H. Carr, Written Testimony submitted to the United States House of Representatives Committee on Oversight and Government Reform*, On the Subject of The Silent Depression: How are Minorities Faring in the Economic Downturn?*, (Washington DC: National Community Reinvestment Coalition, September 23, 2009, 2).
[2] Ibid, 5.
[3] Ibid, 37-38.
[4] Christy Rogers, *Subprime Loans, Foreclosure, and the Credit Crisis: What Happened and Why? – A Primer*, Kirwan Institute for the Study of Race and Ethnicity, (Columbus, Ohio: Ohio State University, December, 2008, 4).
[5] Manuel Pastor, et al., *State of the Region: Growth, Equity and Inclusion in the Bay Area*, The Program for Environmental and Regional Equity, (Los Angeles, CA: University of Southern California, December, 2008).



Source: ACORN Fair Housing 2007: 2.

It's not just mortgages that have added scars on a landscape of racial inequality. The whole financial system has been rigged against lower income communities in general and communities of color in particular. The Brookings Institution documented in 2006 that low-income households pay a higher cost for basic financial services. For example, the Center for Responsible Lending estimates that "borrowers pay $4.2 billion every year in excessive payday lending fees" – something that, if reversed, would create a huge boost to income and community development.[6] In areas of concentrated poverty and concentrated minorities, the issue is particularly acute: for example, in largely black and Latino southeast Los Angeles, 40% of the residents have never had a bank account, while nearly 31% cash their checks at area supermarkets. In addition, there is only one bank in the area compared to 16 payday lenders, pawnshops or check casher outlets.[7]

What has led to this situation that leaves the United States more resembling something from the pages of Robin Hood than the land of opportunity? For starters, the Federal Reserve remains strongly under the oversight of the financial industries – meaning that the regulators are often "captured" by those

[6] The Social Compact, Inc., *Los Angeles Neighborhood Market Drilldown: Catalyzing Business Investment in Inner-City Neighborhoods,* (Washington DC: The Social Compact, Inc., October 2008, 17).
[7] Ibid.

they are supposed to regulate.[8] Secondly, since the 1980s, there has been a strong trend towards a deregulation of the financial industry. Ira Goldstein and Dan Urevick-Ackelsberg in their paper for the Kirwan Institute identify three laws that led to the rise of subprime lending and the ballooning of predatory lending: the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMACA), the Alternative Mortgage Transaction Parity Act of 1982 (AMT-PA), and the 1986 Tax Reform Act.[9] Finally, the Community Reinvestment Act (CRA), originally promulgated to promote banking responsibility and upend financial apartheid, was significantly weakened in its ability to ensure high quality loans in 1999, when the Gramm-Leach-Bliley Act passed giving fair passage to investment and securities firms in the mortgage world.[10]

From these changes in law, Wall Street investors have been able to make more money through risky investments. Lenders basically got the go ahead to offer (or, more often, push) subprime loans.[11] The especially painful fact is that many of these customers could actually afford traditional services –"up to 35% of subprime borrowers could qualify for prime mortgage loans"[12] - but brokers profit the most from signing loans with the "highest combination of fees and mortgage interest rates."[13] And this certainly *was* profitable, until the bottom dropped out.

So it's a mess – as evidenced by the financial meltdown – and many have turned to the notion that we will need new regulation, new policy, and new protections. All fine ideas but there is something more fundamental at work: If we are going to turn the financial service industry back into something that benefits the consumer, instead of the financial elites, we have to shift the underlying balance of power.

Money seems the easiest way to power, and that's exactly what those victimized by the crisis do not have. But, there are millions of people who have been foreclosed upon, and inner-city residents throughout the nation that have been regular victims of predatory lending. If people get organized, and follow in the great tradition of other American struggles for equity, they can tilt the scales. Social movements provide a vehicle for bringing together allied interests, identifying the most blatant abuse of power, and slowly transferring that power and dignity back into the hands of the people.

Our point is simple. While we do need a new policy package, such advocacy also needs to be embedded in a broader social movement for financial justice. The focus should not simply be on foreclosure relief, but on a new financial frame that has at its heart the restoration of opportunity for all, including those whose voices are typically unheard but present most accurately the facts on the ground.

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8 Dean Baker, *Democratizing the Federal Reserve*, Center for Economic Policy Research, (Washington DC: Americans for Financial Reform, July, 2009), http://ourfinancialsecurity.org/wp content/uploads/2009/10/Democratizing-the-Fed.pdf.

9 Rogers 2008: 8 drawing on Goldstein and Urevick - Ackelsberg 2008.

10 Ibid.

11 Matt Fellowes and Mia Mabanta, *Banking on Wealth: Banking Infrastructure and Its Wealth-Building Potential,* (Washington DC: The Brookings Institution Metropolitan Policy Program, 2008, 25-26).

12 Rogers 2008: 6.

13 Ibid.

If social movements are important, then we are really in a different ball game. Simply preventing communities from the worst effects of asset loss won't change policies. Meanwhile, letting others – such as policy think tanks – advocate on the behalf of financial reform will leave many disadvantaged communities without the capacity to respond to broader injustices, of which financial inequality is just one example. Morevoer, working on a single financial issue like subprime mortgages will avoid the root problem. A sustainable social movement for fair credit and banking is what we need.

So how do we dig into this work? What situations or frameworks lead to sustainable advocacy? We do not pretend in this paper to sketch out what the concrete policy alternatives may be; we believe that there are a number of papers that are a part of this project that will do this far more successfully. What we do hope to do is examine exactly how sustainable advocacy might be achieved by considering the ways in which social movements can mobilize to change power.

To do this, we draw just a bit from theory but more often we rely on the practical wisdom our community partners have imparted to us over the years. In what follows, we try to draw lessons from movements that have been successful in the contemporary U.S. We offer a frame that puts movements in their place, seeking to look at what we have labeled the troika of social change: projects, policy and power. This leads us to focus on the importance of embedding advocacy into a broader multi-issue and multi-sector social movement, something that we think differs from the traditional single-issue advocacy that dominates much of the thinking in the financial space. We draw on analytical work we have conducted about what makes for an effective social movement, and explore what this would look like for a movement around fair credit and banking, highlighting along the way both the successes and the challenges we see. In the end, we hope this analysis contributes one piece of the map to a path for long-term advocacy and a changed financial system.

What is Sustainable Advocacy?

The definitions of advocacy are many. They can include the work of lawyers, community organizers and researchers. Advocacy can be done by individuals, organizations, or the government. The target of advocacy is generally a particular set of government policies, and advocates seek to change the minds and actions of decision-makers.

How does change occur? In our view, it is through a combination of projects, policies and power: projects demonstrate that change is possible, policies make the change standard operating procedure, and power – both understanding it and wielding it – is what changes policy.

The single largest shift in financial relations that benefited low-income communities is the Community Reinvestment Act of 1977; it has brought more than $1 trillion in private investment into urban neighborhoods, often through minority homeownership (Dreier 2003: 342, Harvard University Joint Center for Housing Studies, 2002). The National Training and Information Center (NTIC) and National People's Action (players in the current struggles) spearheaded the mobilization of grassroots organizations to put in place the CRA, legislation that required that banks with branches in low-income areas to also lend in those areas.[14] Alex Schwartz puts it eloquently: "The CRA and the HMDA [Home Mortgage Disclosure Act] are both the result and the vehicle of community-based efforts to combat redlining and other discriminatory bank lending practices" (1998: 270).

The CRA is structured such that when banks apply for a new charter, a merger, or an acquisition, community groups and other interested parties can use HMDA data to challenge application approvals. Given the trend towards financial consolidation of the 1980s and 1990s, community groups became adept at pressuring banks to expand their activities in low-income and underserved communities. And because of the way CRA oversight is structured, the work of community organizations bring integrity to the application of the law. This is very important as banks are able to choose between four regulatory bodies (FDIC, Federal Reserve, Office of the Comptroller of Currency, and Office of Thrift Supervision) to regulate their work, which has the potential to create a race to the bottom in terms of the quality of oversight since the banks also provide these entities with revenue.[15]

In some sense, this reflected exactly the troika we describe. Groups mobilized to attain the law and shift policy accordingly; when banks made loans as a result of the CRA, they began to realize that they were profitable and these "projects" helped demonstrate viability.

But the projects, policy, and power triplet is not confined to the financial sector. In the research for a new book, *This Could be the Start of Something Big: How Social Movements for Regional Equity are Reshaping Metropolitan America*, Manuel Pastor, Chris Benner, and Martha Matsuoka began with a study focused on profiling the best practices of community developers and grassroots advocates who were turning to the regional economy to unlock resources. But they soon found out that it was not just projects and policy. When they talked to the leadership of the Los Angeles Alliance for a New Economy about community benefits agreements (a policy to create local benefits from regional developments), they heard not a treatise about zoning but rather an analysis of how the community benefits "frame" paved the way for a new understanding of the economy. When they talked to the directors of Bethel New Life in Chicago about their new transit-oriented development project, they certainly heard about "penciling out" a development but they also heard about how city dwellers had teamed with suburbanites to save a rail line. When they talked to the organizers of the New Jersey Regional Coalition about their efforts to change a policy that permitted suburbs to avoid their fair share of affordable housing, there was some attention to the character of new housing but more of a focus on how this effort can help city and suburb see their common fate.

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[14] National Training and Information Center, *Successes,* http://www.ntic-us.org/index.php?option=com_content&task=view&id=88&Itemid=39 (accessed November 10, 2009).

[15] Interview with Alan Fisher, Executive Director of the California Reinvestment Coalition. Conducted by Vanessa Carter (PERE) on December 1, 2009.

Sure these advocates had ideas about how to redo mass transit, create affordable housing, and secure opportunity. But they were really laser-focused on politics, movement-building, and social change. They had understood two things: first, that community-based efforts at what they termed "regional equity" were more likely to succeed with a firm analysis of power and an explicit strategy for organizing, and second, that the work they were doing at a regional level – face-to-face, race-to-race, and place-to-place – could add up to a vision for a new American common ground. They were seeking to change not just the physical and policy landscape of their metro regions but the political landscape of the country.

We think that this regional equity example is important for thinking about a movement for financial justice in several ways. First, it highlights the differences between organizations focused on projects, policy, and power in a useful way. Pastor, Benner, and Matsuoka (2009), for example, point to community developers as an example of project related work focused on urban revitalization, think tanks as policy reformers focused on seeking shifts in rules, regulations, and policy makers' attitudes, and social movement regionalism as focused on building a new basis for progressive politics.[16] While they argue that all these groups contribute to the ecosystem of change, they are not agnostic about the relative importance of each. They argue that community developers may be timid politically, partly because they need to work within systems; they suggest that think tanks are disconnected from an organizing base and depend on thin coalitions and policy elites to move policy; they argue that the real linchpin to change is social movements and community organizing.

Pastor, Benner and Matsuoka lift up two other things of importance. The first is that regions are important – they argue that this is where organizing is made real. The second is that social movements have to be multi-issue and multi-constituency.

The analogies to the financial reform field would seem to be relatively clear. Traditional community developers, some of whom were helped into being by CRA lending, may be limited in their capacity to make change.[17] This is partly because local politicians and funders help them; agitating too much might break critical relationships that make their work possible – they don't want to bite the hand that feeds them. Groups like NeighborWorks, funded by Congress, are providing important services to help homeowners avoid foreclosures but it would be unrealistic to expect them to lead the charge against financial injustice.[18] It is also the case that community developers have a mission focused on working with their neighborhoods; as a result, many do not pay as much attention to policy change at the regional, state or national level.

Policy reformers may also face limits: "They seek to identify problems, build networks with politicians and other decision-makers interested in the problems, provide these decision-makers with appropriate

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[16] Paraphrased from Pastor, Benner, Matsuoka 2009:19.

[17] As Peter Dreier puts it, "The number of nonprofit community development corporations (CDCs) expanded dramatically" because of the CRA. … For the most part, protest groups shook the money tree, and CDCs collected the rewards." Peter Dreier, "The Future of Community Reinvestment: Challenges and Opportunities in a Changing Environment," *APA Journal*, vol. 69, no. 4, (Autumn 2003, p.345).

[18] Neighbor Works America website, *Foreclosure Resources*, http://nw.org/network/foreclosure/default.asp.

research, strategies, and “frames” for understanding and solving the problem, and through this complex combination, influence policy change in a preferred direction” (Pastor, Benner, Matsuoka 2009:41). The Center for Responsible Lending (CRL) operates in this niche: doing good research on predatory lending (mortgage and payday lending, overdraft and other consumer loans, and credit cards), informing policymakers, regulators, and others, and offering concrete policy options.[19]

Another example is the work of Matt Fellowes, formerly of the Brookings Institution, who did some of the early research that has resulted in national “Bank On” programs. These programs are generally framed as creating a pathway for traditional banks in low-income neighborhoods, and thus winning wealth for the consumer and profits for the banks. This is all good but the win-win frame can be constraining. As the Bank on San Francisco leaders realized a few years into their implementation, sometimes you also need to just go for the jugular, in this case by using zoning and other tools to freeze out payday lenders.

In our view, such policy entrepreneurs/reformers are an essential part of the ecosystem of change. However, they are not always engaged in direct politics and like CDCs, may have a fear of burning bridges to get innovative policies passed. Also, because race and poverty remain such touchy subjects, the real needs of people of color and lower-income folks are not always included or addressed explicitly – in the interest of keeping a “broad” frame. Moreover, this approach is generally not attached to community or grassroots leadership development, and thus the positive impact of policy changes on the world may dwindle over time.

Social movements can push for change in the ways that CDCs and policy reformers can’t on their own. CDCs see themselves as working for the betterment of particular neighborhoods, policy reformers target specific issues with specific solutions, but social movements complete the broader fabric of change by building power and long-term infrastructure. They are sustained groupings that develop a frame or narrative based on shared values, that maintain a link with a real and broad base in the community, and that build for a long-term transformation in systems of power – and occasionally produce protests, marches, and demonstrations along the way.

Of course, jumping from the local to the national is a challenge and many social movements – including those of the right – have generally taken a path that first involves trying regional organizing and regional solutions. Movements for fair credit and banking are no different; there is a regional aspect in addition to the organizing aspect; and an analysis of power pointing to the need for a new frame.

The foreclosure crisis and the response to it, in particular, have functioned regionally. Swanstrom, Chapple, Immergluck (2009) profiled regional responses, noting Chicago, Illinois’s Home Ownership Preservation Initiative (HOPI) and Riverside, California’s Red Team as the best metropolitan examples. The Red Team (a County-led collaboration funded with Neighborhood Stabilization Funds) works with

[19] The Center for Responsible Lending website, *Mission & History*, http://www.responsiblelending.org/about-us/mission-history/.

homeowners in Riverside and San Bernardino Counties, to address foreclosures and the region's over-dependency on new single-family home construction to support the economy. The team focuses policy on keeping people in their houses, homeowner education and counseling, and a regional public-private partnership that pools enough resources to buy homes and make a difference in the market.

This is also true of those more focused on organizing and power-building. Among other roles, Empowering and Strengthening Ohio's People (ESOP) of Cleveland returns regional benefits to local neighborhoods. Their work began in 1999 with the needs of a few grassroots members who were being foreclosed upon. In 2005, with a regional collaboration they launched a pilot program that has kept homeowners in place by streamlining regional laws, unlocking regional resources, and providing foreclosure prevention services. ESOP also engaged in confrontational organizing tactics that resulted in negotiations with lenders. As a result, homeowners had a much higher mortgage workout rate than those in comparable regions (namely, St. Louis). (Swanstrom, Chapple, & Immergluck 2009)

The California Reinvestment Coalition (CRC), birthed to leverage the CRA statewide, negotiates between regional, state, and national scales. On June 11, 2009, the National Day of Action, CRC with NPA and PICO coordinated actions meant to pressure politicians, lenders, mortgage servicers, judges and other key actors (like the Fed) to accept responsibility for easing the pain caused by mortgage foreclosures.[20] CRC affiliates from the Bay Area met with the Fed in Los Angeles and held a press conference in front of a foreclosed apartment building about to evict its residents. They also collaborated to hold four regional community meetings leading up to a press conference at the Federal Building in San Diego.[21] CRC provides a platform for those most directly impacted by industry practices and government policies in order to amplify their voices. CRC is an intermediary between those who are typically not heard and those in power – often at the state or federal level.[22]

The "Showdown in Chicago" was perhaps the most visible expression of how fair credit and banking issues may be building into a social movement. On October 27th, 2009, 5000 people hailing from 20 states marched for financial reform. Their demonstration also coincided with the American Bankers Association convention in Chicago.[23] However, there are many underlying facets of vital importance to this and any other social movement. The Showdown was backed by the training and research done by National People's Action and the National Training and Information Center, not to mention the work of

[20] Reinvestment Works…The Blog, *National Day of Action Is Set for June 11 to Pressure Leaders to Accept Responsibility For Easing the Pain of the Economic Crisis,* (Washington DC: National Community Reinvestment Coalition, March 13, 2009), http://www.ncrc.org/wordpress/?p=91.

[21] California Reinvestment Coalition, *Fresno's Ethnic Press Learn About Predatory Lenders,* http://www.calreinvest.org/news-room/fresnos-ethnic-press-learn-about-predatory-lenders, (accessed November 12, 2009).

[22] Interview with Alan Fisher, Executive Director of the California Reinvestment Coalition. Conducted by Vanessa Carter (PERE) on December 1, 2009.

[23] National People's Action, *5000 Converge on American Bankers Association Convention,* Press Release, October 27, 2009, http://www.showdowninchicago.org/documents/5000ConvergeonChicago_10.28.09_001.pdf.

many smaller organizations in the coalition, who have been careful in their choice of targets, framing, and organizing efforts.[24]

In general, social movements have the capacity to incorporate multiple issues and constituencies. Social movements are distinguishable because while they may focus on specific issues at different times, they are not solely defined by them. In a social movement framework, constituents may take immediate issue with the rate of foreclosures, high interest rates, and discriminatory lending, but the real motivation organizers are trying to tap is anger at the unequal balance of power between the financial elite and everyone else. By way of example, the civil rights movements targeted unequal public accommodations not because there was anything particularly critical about being able to use a certain bathroom, but to challenge the blatant excess of racism and white power embedded in society. Social movements are more than particularistic interests or episodic coalitions; they are long-term, values-based, and potentially system-transforming.

The key question is whether the movement for foreclosure relief is really building into a broader movement for financial justice and streaming into the river of movements working for economic justice. We think that there is a lot of potential to tap into, but also a long way to go.

What is a sustainable social movement?

As noted above, projects help us see the possible, policy makes the possible standard practice, and power is what ultimately drives policy reform. Each of the above styles fit in this process. But social movements are usually overlooked in the ecology of change, partly because they are controversial, they are harder to fund, and they are less easily measured and less easily understood.

In 2009, we made some suggestions for funders trying to figure out how to support social movements in a document called "Making Change: How Social Movements Work and How to Support Them."[25] Based on a literature review, interviews, and our experience working with community organizations, we offered ten critical elements that we argued made for a strong and lasting social movement. We have put these 10 elements into 3 buckets for what we hope is conceptual ease.

Bucket One: The Fundamentals
The following three elements define social movements; together, they distinguish a movement from episodic interventions or the efforts of issue-based coalitions. Interestingly, many of these elements have shown up most strongly on the right and, while we don't find too much common ground with

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[24] There will also be "echo events" put on throughout the nation: Americans for Financial Reform, *AFR Joins National Mobilization for Financial Reform; Events Across the Country,* Press Release, October 26, 2009, http://ourfinancialsecurity.org/2009/10/afr-joins-national-mobilization-for-financial-reform-events-across-country/.
[25] For the Executive Summary or Full Report of Pastor and Ortiz (2009), see: http://college.usc.edu/pere/publications/index.cfm.

them, we have much to learn from them on how to build a solid infrastructure that can change power and policies.

1. Clear Vision and Frame: Social movements rely on frames – conversational constructs that help to set the terms of the debate – allowing individuals of multiple ideologies to stay in the game. Talking about "fair" credit and banking instead of only about the mortgage crisis enables homeowners, renters, and those gouged by payday lenders to come to a common table. Frames also create a sense of urgency, that is, a notion that we need to correct these problems now – because who in America tolerates something "unfair"? These frames help to create vibrancy for moving forward.

   While no one organization has framed this movement, we lift up Americans For Fairness in Lending because they have paid strong attention to messaging to galvanize the movement. In particular, they expose the broken nature of the current system in a way that makes reform the only sane choice; they help put the movement on the offense, instead of the defense using both traditional and new media.[26] The "you shouldn't have signed a bad loan," personal-responsibility frame is deeply entrenched, and they help to shift the dialogue away from individual blame. Crafting a frame that highlights the structural hang-ups and the benefits and opportunities reform could bring to even middle-class Americans, is pivotal.

2. Solid Membership Base: Social movements make sure to directly involve those with "skin in the game" and make sure that the frames and values are derived from them and not from focus groups conducted by distant intermediaries. Social movements are distinguished by their commitment to organizing as well as their base of members and adherents.

   ACORN members involved in the "Stay Home" campaign have demonstrated their commitment across metropolitan American by literally standing with those about to be evicted because of foreclosures. But they have also been framing up anti-foreclosure policy and winning it in cities like Orlando, Oakland, Los Angeles, and Baltimore.

3. Commitment to the Long-Haul: Social movements have a long-term perspective – they believe that the problems that their members face are due to misalignments in power and they understand that it takes time to right that ship. Integral to this is taking the time to train leaders and craft relationships.

   The Chicago-based advocacy groups –NPA, NTIC, The Illinois Community investment Coalition, and the Woodstock Institute – have spent the more than 30 years pushing against the financial elite. Among other tools, their main one has been the CRA. While they were instrumental in its passing in 1977, NTIC in particular has also guided local implementation; they have been involved in more CRA agreements than any other organization.[27] With the restructuring of the financial industries in the

[26] Americans for Fairness in Lending website, *Mission & History*, http://www.affil.org/about/backgrounder.php.
[27] http://www.ntic-us.org/index.php?option=com_content&task=view&id=88&Itemid=39

1990s, the CRA became less powerful but these groups have remained and now struggle to modernize the Act that it might, again, have a wide reach.[28]

Bucket Two: Making it Real

Social movements also match their broad vision with practical policy wins so that members can answer the ultimate pragmatic question: What have you done for me lately? Practical wins provide the momentum to secure broader and loftier aims. Winning the legislation to establish the Consumer Financial Protection Agency (CFPA), even in its currently limited form, will be momentum toward putting limits on predatory loans. But, at the same time, social movements are not defined by specific issues or policy victories and they must be nested in a pliable frame.

4. <u>A Viable Economic Model</u>: Because social movements are essentially about the redistribution of resources, they must have an underlying economic model that is viewed as being sensible and viable. Such models cannot simply be assertions – they must be made with research backing and with appropriate modesty and qualifications, such that policy wins will work. While we want to regulate and better the financial industry, we need to be smart in our demands or we will have a system even worse off and ourselves to blame.

   There are definitely examples of making change real: In Los Angeles, for example, One-LA, a local IAF affiliate, is organizing immigrant families facing foreclosure to come together and work as a team to approach and negotiate loan terms with banks.[29] But what does seem to be missing from the current broad movement is a clear vision of how to reform broader financial systems with an *alternative* to the current financial market. The movement has outlined needed regulations – caps on interest rates, geographical boundaries on required lending, an agency to protect consumers – but less has been done in lifting up new innovations and making an argument about the role that finance *should* play in facilitating mobility, entrepreneurship, and wealth acquisition. This is not just a problem of community organizers; progressive economists have tended to focus on trade policies or making labor markets work, and not as much on how to grease the economy back to growth with a re-regulated but innovative financial system. It is important to support thinkers and researchers that are infused with community wisdom to shape and fill out this new frame.

5. <u>Vision of Government and Governance</u>: Social movements have a vision of what the government ought to do, not simply in terms of issues but in terms of its basic relationship to social forces. Progressives have had a tough time crafting a positive vision of government, partly because of widespread (and often justified) mistrust of government bureaucracy in many communities.

[28] See Dreier (2003:349), for a description of how the changing financial services industry resulted in the CRA having less influence.

[29] Jessica Garrison, "Valley residents make fighting foreclosures a community affair," *Los Angeles Times*, (December 8, 2008).

Framing will matter, especially to avoid accusations of "big government" that are already gaining steam and that might get even louder if more regulation is enforced.

As we read it, the movement for financial fairness is framing up government as the protector of, not just the vulnerable, but the common American resident. The government has been cast in the role to regulate industries gone out of control and violating fairly basic needs for financial services. Similarly, the government gives the common man or woman a chance – government is supposed to keep open the door of opportunity. Getting those thoughts across in a nuanced way is particularly difficult partly because the image of an inefficient government dominates and partly because we *do* need to make government more accountable.

6. A Scaffold of Solid Research: Social movements always have an intellectual side in which problems are identified and strategies are explored. Recent social movement groups in the U.S. have become even more conscious about the power of using research as a scaffold to support and weave together the personal stories generated by base constituencies, both through in-house research capacities and by forging effective alliances with academics and intermediaries.

   The Woodstock Institute played a central role in supporting anti-foreclosure groups in Chicago (Swanstrom et al. 2009:39), and is intimately connected with the work of Illinois Community Investment Coalition. James H. Carr from the National Community Reinvestment Coalition provided written testimony to the House Committee on Oversight and Government Reform using data from the Kirwan Institute's Economic Stimulus Report. The California Reinvestment Coalition has helped organizations think through the best questions to pose to government officials.[30] Of late it's been particularly important to be able to demonstrate with data that the CRA is not to fault for massive foreclosures, that people of color are given more high-cost loans than whites, and that the financial sector was acting highly irresponsibly (Rogers 2008).

7. A Pragmatic Policy Package: We need a policy package that looks like it might actually work at alleviating poverty and distress – by securing fair credit and banking practices. The pieces of the package seem to include consumer protection, limits on fees and interest, modernization of the CRA and HMDA, more oversight for the Fed, and cracking down on predatory lenders.

   The CRA was a winner because it was able to bring investment, and the modernization of such policies will need to accomplish that again. But the policy package to date is mostly proposing regulation and oversight. While that is needed, we also need policies that support more investment and that make real a new vision for fair credit and lending. What would that be, beyond regulation? It might include programs like the Home Owners Loan Corporation (HOLC) that kept tens of thousands of people in their homes in the New Deal Era, or policies that bring banks back to the

[30] Interview with Alan Fisher, Executive Director of the California Reinvestment Coalition. Conducted by Vanessa Carter (PERE) on December 1, 2009.

inner-city, or make homeownership practical for the majority. Such policies would do more than get the industry off the wrong course or re-set its current failures, but actually forge a new and better course.

The challenge is bringing it all together: the policy package seems less thoughtful and more crisis-driven, instead of a plan for comprehensive systems-building. The movement has a handful of policy prescriptions, but not a plan for health. The existing policies seem more a response to a crisis– and while there is certainly a need for that –we really need to address building a better, healthier system overall. Even the CFPA is still regulatory. To round out the policy package, we will have to finish sketching out our viable economic model and then match it with policies to make that model real.

Bucket Three: Bringing it to Scale

In recent years, increasing attention has been paid to the scale or geography of social movements. Movements have won a wave of local living wage laws, community benefits agreements, etc. prior to any such movement on the national front – change has been coming from the region "up" rather than the nation "down." This has to do with a few things: the rise of regions as economic and political units and businesses finding value in clustering with others associated with their industry – a wrinkle in the off-shoring story. In short, some businesses must remain local; developers, retailers, or, say, banks, need to work with their regional community to make the relationship work. Social movements are making use of this dynamic – and any serious social movement analysis would also acknowledge that the success of the conservative movement was tied to their willingness to work in the trenches of small towns, school boards, and state houses on their way to national power.

8. <u>Recognition of the Need for Scale</u>: While there may be a tendency to think that small organizations must be authentic ones, with the scale of the social problems we face, and the extent of power on the other side, we need a scale of organizational capacity to match. We do not mean to dismiss small groups, many of which are doing excellent work and are critical in the social ecology of change. Rather, we simply want to remind that organizations with scope, sophistication, and reach are needed to challenge power and policy.

   The movement for fair credit and banking has done well on this front: Americans for Financial Reform, the National Community Reinvestment Coalition, National People's Action, ACORN, Americans for Fairness in Lending, and the Center for Responsible Lending are all relatively large and sophisticated, and are addressing these issues at the broad systems level. They anchor and provide a common ground and agenda for local affiliates and individual power-building organizations.

9. <u>A Strategy for Scaling Up</u>: There is a geography of power currently being worked out: conservative organizing was built up from local bases, and most social justice organizations are working hard to move from the local to the regional to the state to the national. Such scaling is the stuff of success and is a new arena for research and investment.

People Improving Communities through Organizing (PICO) and National People's Action (NPA) have demonstrated this element. PICO and NPA negotiated with the Federal Reserve to talk with 9 local affiliates to show how real people in local communities have been personally devastated by foreclosures. By embedding the local within the national, individual events are connected to a larger story – the unfair financial system, in this case – and the large networks of advocates demonstrates the mounting power to change the norm.[31]

10. A Willingness to Network With Other Movements: No one wins alone. It is critical that social movements focused on particular issues and particular constituencies are able to find their way to potential allies in other movements. Social movement organizations that are too exclusive or too focused on building their own group may fail to strengthen the movement and connect to other groups; the goal is to find those who seem to view their own activities as streams flowing into a raging river of social change.

    The first thought here might be that we are talking about the ability to bring divergent actors together. That is important. For example, despite a strong collaboration of the public sector and non-profit organizations through Contra Costa Housing Equity Preservation Alliance (HEPA),[32] in the San Francisco Bay Area, when the Fed convened regional partners to address foreclosures, little came of it. Participants report that each group – the banks, the reinvestment groups, the community-based organizations – were so good at their own work that they didn't see much value in collaborating. Interestingly, this region that has historically been on the cutting edge of equity movements responded much more poorly than, say, Riverside CA, an area not known for its progressive leanings or community capacity. In short, playing well with others can make a big difference. (Swanstrom et al 2009:29-30)

    But what we really want to stress here is the connection – or lack of it – with other key actors is crucial in the broader movement for social and economic justice. This means ties with unions, with community organizers and with others.

We note these 10 elements, not to say that social movements are easy to construct – they're not and we ourselves have written that "social movements are marked by tensions and tightropes, with organizations trying to strike a balance between scale and base, organizing and advocacy, vision and research" (Pastor & Ortiz 2009:10). However, these guideposts can provide some tangible direction to where a social movement around fair credit and banking needs to head. And while no social movement will be perfect, balancing these 10 elements will help.

The movement for financial equity has more strong characteristics than not and might take just a bit more honing to develop into a powerful force. Listening to California advocates, while a frame around

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[31] For more information, see National Training Information Center, *Community Meetings with the Federal Reserve,* http://www.ntic-us.org/index.php?option=com_content&task=view&id=217&Itemid=1.

[32] HEPA provides a single point for families seeking advice related to foreclosures or legal counseling.

financial justice and opportunity is being constructed, much more needs to be done to make it dominant in popular discourse.[33] Developing a viable economic model and the accompanying pragmatic policies is and urgent need – and there are plenty of researchers and think tanks associated with the movement to make that happen. Equally critical, however, is intersecting this movement for financial justice with other movements for economic justice to both make for a more powerful whole *and* more firmly situation finance in the logic of an alternative economic strategy for jobs, development, and sustainability.

Again, we point these out as places that we think might need some extra attention. But we acknowledge that progressive advocates are already juggling several resource intensive issues– health care, immigration, climate justice, ARRA implementation – and that resources remain spread thin as we continue coping with this "Great Recession." Working on any of these issues is critical, and collectively may result in a real rebalancing of power. The momentum created by the foreclosure – and broader economic – crisis may be what we need to dig into the knottier areas of the movement for financial equity.

Conclusion

As we come to a close, it is important to remember that financial equity plays a particular role in the long-march for economic justice. For the economy to benefit all people there must be growth, mobility, and standards. Over the past two decades, we've made progress on two of these three fronts. Communities have won strong guarantees of standards via community economic development in the form of Community Benefits Agreements, Project Labor Agreements, and Living Wage laws. Workforce development has increased mobility through new approaches to education like multiple pathways, through constructing career pipelines for the green economy,[34] and through rethinking workforce reintegration for ex-felons. What's been missing from the overall economic justice agenda has been a vision of growth – and it is imperative that one be in place in light of the current crisis.

To improve financial justice is no different – we need to combine all three aspects noted above. Movement builders for financial equity need to develop clear standards that benefit all people and a starting point should be to define the outcomes we are willing and not willing to tolerate from our economy. This will help insure, for example, that interest rates do not climb to excessive heights or that the financial elite do not siphon the wealth of low-income communities.

The movement should also define the path for mobility, that is, how people can acquire assets and wealth over time. In some ways, this has been the focus: the CRA set standards for the banks, and

[33] "The Future of Housing and Fair Credit Convening." Oakland, CA: PolicyLink and the Kirwan Institute, 18 December 2009.

[34] For an example of this, see Joanna Lee and Jennifer Ito, *A Greener Future for Los Angeles: Principles to Ensure an Equitable Green Economy*, (Los Angeles, CA: Strategic Concepts in Organizing and Policy Education (SCOPE), February, 2009), http://www.scopela.org/downloads/2009_SCOPE_A_Greener_Future.pdf.

various organizations facilitated growth in home ownership and access to banks. The problem is that the house of cards is now tumbling down and we are on the defensive on foreclosures rather than on the offensive about extending credit to create a new community-based economy.

To get at that, we need to develop a vision for growth, and in particular, the way in which credit can facilitate development, entrepreneurship and economic expansion. It is a whole new approach and it will require a whole new set of skills. And it will, as we have stressed, require an entirely different balance of power.

The current movements for fair credit and banking are a vital part of the reconfiguration of power necessary to achieve economic justice. We think we're on a roll – the old system has failed, the ideology is up for grabs, and new ideas and organizing are welcome – but there's much more work to be done (and on very thin budgets). In this critical time, we all need to work together in order to step up our game and continue to build the social movement organizations and vision that can help us work towards a new financial and economic system.

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