

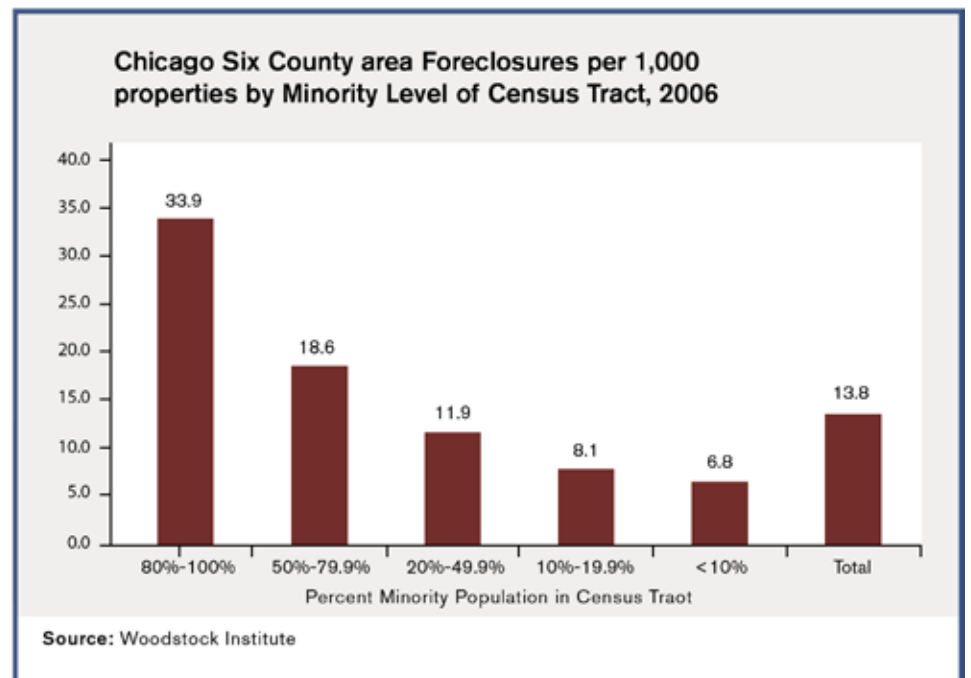
ShoreBank's Rescue Loan Program

by Brian Berg

Thirty-five years ago, ShoreBank tackled redlining on Chicago's South Side. A few years later, the bank led the fight to pass the ground-breaking Community Reinvestment Act of 1977. Today, as thousands of South Side home owners are dealing with the repercussions of a subprime adjustable-rate mortgage, ShoreBank has taken up a new challenge: providing refinancing to home owners caught up in the mortgage lending meltdown.

The facts are sobering. In 2006 (see graph), the most recent full year for which data are available, the rate of foreclosure in Chicago area census tracts correlated positively with higher ratios of minority residents – the rate was roughly five times higher in tracts that had 80 percent to 100 percent minorities (33.9 percent) versus those with less than 10 percent minorities (6.8 percent). Many of the subprime loans aggressively marketed to minority populations offer low and/or interest only initial payments that can reset sharply higher after two to three years. These teaser rates lured home owners into the market, only to bring many to the brink of financial disaster when their rates reset and their monthly payments ballooned.

The consequences of this scenario, which is playing out in cities across the country, can be dire. As mortgages



become unaffordable, individual home owners begin losing their homes and property values plummet. Since many of these affected borrowers are concentrated in a handful of communities, the impact of these cascading foreclosures is amplified. The net result can ignite a cycle of community deterioration.

ShoreBank decided that it had to take action. And so, its Rescue Loan program was born.

"The adjustable-rate mortgage crash is an opportunity for ShoreBank to be part of the solution," notes Joseph E.

Hasten, president and CEO of ShoreBank. "We leverage our expertise and resources to help qualified home owners keep their home and stabilize the community."

The bank's Rescue Loan program offers only fixed-rate loans at competitive market rates to qualified at-risk home owners or new home buyers with credit scores of 520 or better, and not more than 90 days delinquent in order to ensure sustainable home ownership. Qualified home owners in the program are refinancing their current mortgage from another lender and

obtaining a new fixed, 15-, or 30-year, competitive market rate loan from ShoreBank that lowers monthly payments.

Each loan application is carefully analyzed by a ShoreBank lending specialist to determine which loan product is best suited to the specific customer. This includes a thorough assessment and verification of the applicant's credit history, which reveals whether a customer can actually afford the mortgage, including other costs associated with owning a home, such as taxes, utilities, home owner's association fees, and maintenance.

Michelle Collins, senior vice president of mortgage lending at ShoreBank, says, "Without following in the footsteps of many subprime lenders, we are trying to remedy the situation by refinancing the loans that borrowers should have come to us for at the 'get-go'.

Besides refinancing, another component of the Rescue Loan program is a series of free seminars and workshops at locations across the city that are designed to help borrowers identify the mortgage best suited to their budget and gain a better understanding of the home buying process.

To help fund the special rescue mortgages for home owners, ShoreBank recently launched a high interest online savings account (www.sbk.com). The funds deposited into this online account help the bank to continue to rescue home owners, while providing investors with a competitive rate of return. As the bank sees it, this online account is a "win-win-win." It helps the bank combat foreclosures in the wake of the subprime mortgage crisis. It helps stabilize entire communities. And it gives investors a chance to make a social difference while earning a competitive rate.

"This program reflects our history of working to serve disinvested communities," says ShoreBank's

Hasten. "We saw a need and we are attempting to fill it."

Hasten urges home owners with adjustable subprime rate mortgages to take action before their loan balloons out of control and they find themselves at risk of foreclosure. "This is a crisis that disproportionately affects people who are least able to weather it. We firmly believe that our Rescue Loan program is the right thing to do."

To learn more about the ShoreBank Rescue Loan program or any of the free seminars on mortgage lending and home buying, call a ShoreBank mortgage lending specialist at (773) 420-HOME (4663).

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This article was prepared by Brian Berg, vice president of Marketing, ShoreBank.