Banks Vying to Hold City of Chicago Deposits Must Provide More Data on Mortgages, Home Equity Loans.

The City Council's Finance Committee approved an ordinance that would require banks seeking to hold up to $400 million of the city's money to post even more detailed information on the city's open data portal.

Banks holding Chicago tax dollars or vying to becoming municipal depositories would be required to come more clean than ever about lending practices, under a stronger disclosure ordinance intended to reverse longstanding lending inequities.

The City Council's Finance Committee on Monday approved an ordinance championed by Housing Committee Chairman Harry Osterman (48th) that would require banks seeking to hold up to $400 million in city money to post even more detailed information on the city's open data portal.

Chicago's "Responsible Banking Ordinance" would be revised to include:

• The amount of each home equity loan made in Chicago, by census tract.

• Denial reasons for home mortgages, by race, sex and census tract.

• The number and location of banks in Chicago.

• Employee demographics by job category from all banks with more than 500 employees.

Before voting to designate the city's 13 municipal depositories, the ordinance would also require the Finance Committee to hold an annual hearing to discuss home lending trends.

Osterman said his goal is to "empower" aldermen with the information they need before they decide where to deposit Chicago's tax dollars.

"This is not something that's gonna solve the lending inequities overnight. But it's a piece of a united front on the city, state, county and federal level to really make sure that we're changing things and lifting people up," Osterman said.

"The lenders have an ability every single day to help do that. We're gonna be seeing how this goes with the information on where the loans are going. It's all about an equitable recovery as we come out of COVID. … We are not in the business to regulate banks. But it is our business to ensure that we are stewards of the interests of the residents that we represent."

City Comptroller Reshma Soni said the 500-employee benchmark for detailed personnel information was included for good reason.

The city is trying to reverse longstanding lending inequities by making it easier for smaller, local banks to become municipal depositories.

“We want to be able to balance the smaller banks. Encourage them to come in and do business with us. So we’re trying to ensure this is not unduly burdensome for them,” Soni said.

Soni said she hopes to implement the new disclosure requirements in time for the upcoming request for proposals on municipal depositories. But after talks with the Illinois Banking Association, she acknowledged: “There are gonna be some growing pains and some implementation delays. … They’re gonna do their best to get us as much as we can for this round with full implementation happening next year.”

Banks designated as “municipal depositories” have long been accused of investing far more money in majority-white neighborhoods than in communities of color.

Those discriminatory practices have made it more difficult for African Americans and Hispanics to secure home mortgages, business loans or loans for home improvements. That has perpetuated a wealth gap and the historic disinvestment in South and West Side neighborhoods.

The most recent study documenting those inequities was conducted by WBEZ-FM (91.5). It showed banks lend 12 cents in Black neighborhoods and 13 cents in Hispanic neighborhoods for every $1 loaned in white neighborhoods.

To promote “diversity, inclusion and equity” in lending, Chicago’s “Responsible Banking Ordinance” already requires banks receiving city deposits to submit detailed information about lending practices.

In a scathing audit released earlier this month, retiring Inspector General Joe Ferguson concluded the city continues to deposit millions of tax dollars in banks that engage in discriminatory lending practices.

Despite “rigorous collection” of information on lending practices, the audit concluded the Department of Finance conducted “no substantive evaluation” of that data.

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