

Self-Help Helps Itself

A leftist crusader wants to dictate financial options to consumers

By David Hogberg

Summary: Martin Eakes' family of organizations, known collectively as Self-Help, has wandered far from its roots. What began as a movement to provide the poor with much-needed capital is now a set of advocacy organizations that promote policies that harm the poor and impose competitive disadvantages on other lenders. Meanwhile, Self-Help rides its tax-exempt status all the way to the bank.

On April 13th of this year, an activist testifying before the U.S. Senate Banking, Housing and Urban Affairs Committee commended the Federal Home Loan Bank system “for recognizing the predatory lending problem and applying strong anti-predatory lending guidelines.” The activist was Martin Eakes, and though his is by no means a household name, his work is well known in the financial industry and he is a minor celebrity in North Carolina. But he is hardly content with that.

Eakes is the Chief Executive Officer of a set of North Carolina-based financial and advocacy institutions, which include the Self-Help Credit Union, the Self-Help Ventures Fund, the Center for Community Self-Help, and the Center for Responsible Lending—the family of organizations is usually referred to in the aggregate as “Self-Help.” Eakes says the mission of Self-Help “is to expand wealth and ownership opportunities for all families, with a particular emphasis on groups traditionally denied access to these opportunities: women, minorities and rural residents. We do this by providing home and business ownership financing.” That description is accurate, yet incomplete.



Self-Help founder Martin Eakes, along with his wife, preparing to receive an honorary degree from his alma mater.

The Self-Help constituency is more than the poor. Eakes also uses Self-Help’s resources to form political coalitions with radical left-wing groups whose purpose is to bully banks into changing their lending practices. The groups also pressure legislatures into restricting the liberty of financial institutions. Most recently, Eakes and his allies have launched a campaign to harass two financial industries, payday lending and subprime mortgage lending, to comply with their demands. Eakes’ tactics include playing the race card to intimidate his opponents and promoting pseudo-scholarly research to back up his misleading claims.

It’s unfortunate that the real victims of Self-Help’s campaigns are those Eakes claims to help: the poor and disadvantaged. Eakes is a consummate nonprofit entrepreneur. He does his utmost to penalize the for-profit financial institutions that ignore his demands

while he maximizes the advantage of Self-Help’s tax-exempt nonprofit status.

Community Bank or Mega-Advocacy Firm?

Eakes’ Self-Help Credit Union, like all credit unions, is governed by section 501(c)14 of the Internal Revenue Code, which states

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OrganizationTrends

that a credit union must be nonprofit and must operate under the credit-union laws of the state in which it resides. Most people probably think of credit unions as nonprofit, community-based banks run for the benefit of their members. Their roots in mid-19th century progressive social reform further endow them with a populist image, and Eakes certainly likes to portray himself in that light. According to a recent report in the *Wall Street Journal*, he is just an ordinary guy: he “drives a 1992 Chevrolet Corsica with a cracked windshield,” and “earns just \$60,000 a year.” The truth, however, is that Eakes is the head of a large, multi-million dollar activist organization that is turning itself into a major influence on lending policy on both the national and the state level.

Martin Eakes grew up in Greensboro, North Carolina during the era of Southern desegregation. Hints of his social activism appeared during his undergraduate years at Davidson College, a small liberal arts school in North Carolina: when the college awarded him an honorary doctorate in 2001, a press profile revealed that he met his future wife, Bonnie Wright, one night on campus while he was tied to a flagpole. After Davidson, Eakes entered the MPA-JD program at Yale University and the Woodrow Wilson School

at Princeton, and he interned one summer at the Ford Foundation office in Gaborone, Botswana.

Eakes returned to North Carolina, where, with Wright, he founded in 1980 the Center for Community Self-Help. A profile of Eakes notes that his “goal was to complete the second half of the civil rights movement: to close the wealth gap between rich and poor by helping low-income North Carolinians to buy homes and start businesses.” While the Center was initially a vehicle for so-called “community development,” it now develops and coordinates the programs of the other related Self-Help organizations.

In 1984, Eakes established two additional groups: the Self-Help Ventures Fund and the Self-Help Credit Union. In the past twenty years they have provided over \$3.6 billion in financing for home mortgages and loans to small businesses and nonprofits. According to Self-Help’s website, the Ventures Fund is “is a nonprofit 501(c)(3) organization funded with loans and grants from foundations, religious organizations, corporations, and government sources. It manages Self-Help’s higher-risk business loans, real estate development, and home loan secondary market programs.” Tax forms from the latest year available (2003) show that the Self-Help Ventures Fund had \$59 million in revenue and \$214 million in assets.

According to a June 2005 financial report from the National Credit Union Agency, the Self-Help Credit Union has \$184 million in assets. The Self-Help website states that the Self-Help Credit Union “raises market rate deposits from members to make commercial and home loans. Its members include nonprofit and religious organizations and other socially-responsible [sic] individuals and institutions.” These “socially-responsible” institutions include the Ben and Jerry’s Foundation and the Tides Foundation. The former has given \$300,000 since 2001 to the Ruckus Society, a radical environmental group whose law-breaking activities first received attention during the violent Seattle protests against a meeting of the World Trade Organization in 1999. The Tides Foundation also has given grants to the Ruckus Society as well as to the radical National Lawyers Guild and United for Peace and Justice, the group led by a pro-Castro supporter that is mounting anti-war/anti-Bush protests. (For more

on Tides, see CRC’s December 2003 *Foundation Watch*.)

In 2002 Eakes established yet another group, the Center for Responsible Lending (CRL). Its purpose is to “eliminate abusive financial practices” and prevent “the finance industry from stripping wealth from minority and poor communities.” It engages in lobbying, policy research, and coalition-building. In 2003, the CRL had about \$2.5 million in revenue and about \$654,000 in assets.

In 1999, Eakes successfully lobbied the North Carolina legislature to pass the first-ever law dealing with predatory lending. Spurred by his success there, he has since targeted other state legislatures. In 2003-2004, the CRL lobbied the Michigan legislature to restrict payday lending, and in 2005 it lobbied the Maine legislature. Its campaign

Credit unions’ roots in mid-19th century progressive social reform further endow them with a populist image, and Eakes certainly likes to portray himself in that light.

in Georgia gives a clear indication of the Center’s leftist affiliations: one of the lobbyists retained by the Center, Susan Saleska Hamilton, also works for the Georgia Trial Lawyers Association and GARAL (NARAL Pro-Choice Georgia).

Eakes’ ambition doesn’t stop at the state level. In the past few years his attacks have been directed at Washington D.C. policymakers. Last year Self-Help paid \$23 million to buy an eleven-story building in downtown D.C.’s Farragut Square to house the CRL. The move prompted Rep. Patrick McHenry (R-NC) to suggest that Eakes might better have spent the funds on home loans and community development. But in 2003-2004, the CRL spent \$120,000 to lobby Congress to impose more restrictions on high-cost mortgages and to establish national licensing and standards for mortgage bro-

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kers. Eakes is clearly seeking to replicate his North Carolina success on the national level.

Since the various Self-Help affiliates are nonprofits, money spent on their assorted lobbying and educational campaigns is tax-exempt. But lobbying is hardly the only way that Self-Help takes advantage of its tax-exempt status.

Exploiting Tax-Exempt Status

One way Self-Help exploits its nonprofit status is by helping its own officials and senior executives. The financial reports of the Self-Help Credit Union reveal that throughout the 1990s Self-Help made loans to its officials and senior executives averaging \$30,000 to \$40,000, a practice permitted by Self-Help's conflict-of-interest policy. In June 2002, one official received a loan for about \$1.2 million, and tax forms show that in March 2004 another official received a large loan, bringing the total borrowed by only two unnamed Self-Help officials to more than \$2.7 million. Without explanation, those loans disappeared from the Credit Union's financial report in December 2004. For-profit corporations that extend generous loans to board members have come under strict scrutiny lately; when a tax-exempt nonprofit does the same, it should receive even closer inspection. There may be a good explanation for this, but Self-Help did not return phone calls seeking one.

Self-Help may also use the Credit Union to fund the Center for Community Self-Help. In 2003, the Center for Community Self-Help took in over \$3.1 million in revenue and had over \$5 million in assets. Its IRS 990 tax form shows that the Center also received \$2.75 million in "indirect public support." According to GuideStar (a data bank on nonprofits), indirect public support means "contributions received through federated fundraising campaigns such as the United Way or the Combined Federal Campaign. Also included here are *monies received from affiliated organizations (parent, subordinate, or supporting organizations)*" [emphasis added]. Although it is not entirely clear, it seems likely that the Center receives at least some of that support from the "affiliated" Self-Help Credit Union. (The Center for Community Self-Help did not return requests for information.) The tax returns for two other affiliate groups, the CRL and the Self-Help Ventures Fund, note that the Center for Community Self-Help's

"membership overlaps substantially with Self-Help Credit Union's membership."

Self-Help receives a great deal of money from private foundations that are active on the political Left. The Center for Community



CRL claims that credit cards are "abusive" if they contain "hidden transfer charges, exorbitant late fees and exploding interest rates."

Self-Help received \$281,000 from the Surdna Foundation in 2001-2003, two grants of \$166,667 (in 2001 and 2002) from the Annie E. Casey Foundation, and \$80,000 from the Connecticut-based Education Foundation in 2002. The CRL received \$150,000 in 2002 from the Rockefeller Fund and \$50,000 from George Soros' Open Society Institute in 2003.

MacArthur Award (popularly known as a "genius grant") for his work with Self-Help.

The Ford Foundation has also lavished program-related investment on Self-Help. In 1996 Ford gave \$2 million to the Self-Help Ventures Fund and added \$50 million more in 1998 to provide mortgages to minority and low-income households. This enabled the Fund to leverage over \$2 billion in mortgages from Fannie Mae, Bank of America, and Chevy Chase Bank. (It also yielded \$166,000 in income to the Ford Foundation in 1998-2003.)

Ford has been a pioneer grantmaker in providing funds to set up new institutions to promote a political agenda. It's no surprise then that it provided the seed money (\$100,000 in 2002) to establish the CRL. In 2003 another \$100,000 Ford grant let CRL purchase a loan performance database to research and analyze predatory lending activities.

Interestingly, Eakes has used the Center for Community Self-Help to back up certain loans made by the Self-Help Credit Union. The Center's 2003 tax return states that it "guarantees some Credit Union loans for charitable purposes." Since donations to the Center are tax-deductible, those loans are in essence tax-free.

While it guarantees tax-free loans, Self-Help also taps taxpayers directly for the loans it makes through Fannie Mae, a government-

Self-Help has a cozy relationship with the John D. and Catherine T. MacArthur Foundation, which has given Self-Help "program-related investments."

Self-Help has a cozy relationship with the John D. and Catherine T. MacArthur Foundation, which has given Self-Help "program-related investments." Unlike most grants, these are capital funds invested directly for social purposes. In 2000, the MacArthur Foundation gave Self-Help a \$6 million dollar loan, which Self-Help transferred to the Self-Help Ventures Fund. In late 2004 MacArthur converted \$3 million of that amount into a grant and added another \$2 million grant to support a program of home mortgage loans to Latino families. MacArthur also made a \$500,000 grant (2002) to the CRL. In 1996 Eakes was the personal recipient of a \$260,000

sponsored enterprise (GSE) with a defined public purpose authorized by Congress. It's also exempt from state and local taxes (except property taxes). So when Self-Help uses the Ford Foundation's \$50 million to leverage mortgages from Fannie Mae, it's getting a pretty good deal on the loans.

And there are more sweet deals. Self-Help gets taxpayer-subsidized loans through the Small Business Administration and the U.S. Department of Agriculture (USDA). The Self-Help Ventures Fund has received over \$2.5 million in loans from the Small Business Administration Micro-Loan Program. These are made available only to nonprofits for assist-

ing the start-up of small businesses. The interest rates are low—from 2.63 percent to 4.5 percent. Self-Help Ventures Fund also has over \$3.9 million in loans from the USDA Intermediary Relending Program (IRP), which finances rural business facilities and community development projects. Only nonprofit corporations, public agencies, Indian groups or cooperatives are eligible to receive the loans, which carry a *one percent* interest rate. The earliest maturity date at which the loan must be repaid in full: 2021.

Did I mention the government money Self-Help receives that it doesn't have to pay back? The Center for Community Self-Help

received \$40,927 in FY 1998 from the Commerce Department's Technology Opportunities Program, which is supposed to develop innovation in technology in the public and nonprofit sectors. That year the Center lucked out when it also got \$338,365 from the SBA's Technical Assistance Program, which helps "socially and economically disadvantaged" small businesses and individuals. And in 2005 the Center for Community Self-Help received over \$8 million in grant money from U.S. Department of Education's Credit Enhancement for Charter School Facilities Program, which is also open only to government agencies and nonprofits. Its purpose is to

guarantee "bonds, notes, loans, or other types of debt that will be used to assist charter schools." According to Self-Help's 2003 annual report, "Self-Help's public charter school lending program has made 31 loans to 17 schools for a total of \$33 million." That means taxpayers are helping Self-Help guarantee nearly one-quarter of those loans.

What is Predatory Lending?

Even as Self-Help maximizes its opportunities as a nonprofit, it advocates heavy restrictions on the for-profit financial industry. Its main target is so-called "predatory lending."

Predatory lending has received considerable media coverage in recent years. The stories often start by profiling a poor person down on his luck who takes out a loan with a high interest rate. The borrower neglects to read the terms of the loan carefully and is stuck with excess fees and crippling monthly payments. People who obtain these loans are often described as part of what is known as the "subprime" lending market—that is, factors such as their poor credit or employment history make them riskier loan candidates than other borrowers.

Yet predatory lending is not so easy to define. The website of the left-wing National People's Action claims that predatory lending "occurs when a mortgage company or broker pushes unjustifiably expensive refinancing or home equity loans on homeowners." That begs the question: what is "unjustifiably expensive"? The mortgage terminology website of the community development corporation Nuestra states that it is a "type of lending that falls between appropriate risk-based pricing and blatant fraud and combines certain products, terms, prices and practices." In other words, "unjustifiably expensive" encompasses a large gray area.

It should come as little shock that Eakes exploits the vagueness of the term. Indeed, the CRL's website leaves one with the distinct impression that predatory lending is whatever Martin Eakes says it is. The website dubs the following types of lending "abusive practices":

- **Predatory Mortgage Lending:** This "takes place in the subprime market, targeting people with weak or blemished credit records. A

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typical predatory mortgage is a refinance of an existing loan that is packed with excessive or unnecessary fees and provides no tangible benefit to the borrower.”

- **Payday Lending:** This is “the practice of using a post-dated check or electronic checking account information as collateral for a short-term loan.”

- **Rent-to-Own Contract:** These are bad because the “store does not have to report how much it is charging in interest” to the customer. CRL alleges, “Under a typically rent-to-own contract, a consumer may pay as much as \$2,200 over two years to purchase a \$500 TV.”

[W]e went for ten years, we have had our first loss of a home loan of \$10,000 in a total of \$120 million of lending directly and indirectly we have made, to mostly minority, single moms. We had our first \$10,000 this past year. So, whatever people believe, the truth is, if someone has a chance to get a toehold and own a home, they will be far better borrowers than most of the rest of us. That is just a fact.

Nowhere in CRL’s laundry list of predatory lending techniques is there any acknowledgement of individual responsibility—that borrowers have a responsibility to understand the terms of their loans.

- **Overdraft Loans:** These “are offered by banks to low-income consumers. In exchange for covering account overdrafts up to a set dollar limit, banks charge bounced check fees, ranging from about \$20 to \$35 for each transaction.”

- **Tax Refund Anticipation Loans:** These are “short-term cash advances against a customer’s anticipated income tax refund.”

- **Car Title Loans:** According to the CRL, “Like payday loans, car title loans are marketed as small emergency loans, but in reality these loans trap borrowers in a cycle of debt.”

- **Credit Card Abuse:** A credit card is abusive if it contains “hidden transfer charges, exorbitant late fees and exploding interest rates.”

- **Mandatory Arbitration:** This is a “common clause in loan contracts. Barred from bringing claims to court, victims of abusive lending practices frequently find that their loan contracts require them to go through arbitration: proceedings conducted in secrecy, with limited evidence and documentation.”

- **Manufactured Housing Financing:** This “is usually structured as personal consumer loans, which carry higher interest rates and shorter terms than real estate loans. In addition, these loans often contain predatory terms in the form of single-premium credit insurance, high points and fees, kickbacks, and fraudulent applications.”

Nowhere in this laundry list is there any acknowledgement of individual responsibility—that borrowers have a responsibility to understand the terms of their loans.

What the CRL also fails to mention is that financial institutions are in the business of “risk pricing.” That is, they set interest rates on loans based on how much risk is involved. Many of the people who do not get loans from banks offering lower interest loans are turned down because they are not a good risk: for instance, they have poor credit history or have shown inability to hold down a job. The higher interest rates compensate for the higher likelihood of such borrowers defaulting on the loans. When Eakes advocates legislative restrictions on lending practices, he not only prevents financial institutions from making these loans but he prevents high-risk borrowers from getting loans at all.

However, Self-Help denies that many borrowers are high risk. In a 2000 interview with PBS, Eakes stated:

The financial reports of the Self-Help Credit Union, which are posted on the website of the National Credit Union Agency, suggest that Self-Help’s lending is riskier than Eakes lets on. Since December 2000, its ratio of delinquent loans to total loans has fluctuated from a low of 5.36 to a high of 10.48. In other words, for every hundred loans Self-Help makes, between five to ten borrowers fail to repay them. The peer average (the average of all credit unions of similar size) for that ratio is much lower—it has ranged from low of 0.7 to a high of 1.04 during the same period. Self-Help’s own finances suggest that lending to the poor is riskier than other types of lending.

Self-Help Campaigns: The Start in North Carolina

In 1999, Eakes lobbied the North Carolina legislature to pass a law against predatory lending. He organized over 100 CEOs from financial institutions (primarily credit unions) and about 40 CEOs from other nonprofits across the state into a Coalition for Responsible Lending, and it backed a bill to stop various loan practices, including balloon payments (large payments at the end of a loan), “excessive” fees, and frequent refinancing. The bill defined high-cost loans as ones with fees of 5 percent or more, or interest rates 8 percent above the current rate for Treasury notes. Any such loan was barred from including balloon payments or fees and payments in excess of 50 percent of a person’s gross income.

North Carolina Attorney General Mike Easley, who was planning to run for Governor, also backed the bill and ran “public service” ads warning against predatory lending. Banks and other financial institutions

yielded to the pressure and accepted a bill that restricted high-cost loans, banned the bundling of life insurance with loans, and outlawed payday loans by all but out-of-state banks. The bill did permit fees of up to 8 percent on loans under \$20,000.

The upshot? Like many laws with “good intentions,” the banks that were prevented from pricing risk into their loans simply decided not to make the loans. The Georgetown University Credit Research Center concluded that after the law was passed, “the number of subprime mortgage originations declined by about 14%.... Significant declines occurred only in North Carolina and only among lower-income borrowers. Neither the higher-income borrowers in North Carolina nor borrowers in the other states experienced significant declines.”

Eakes reversed course when low-income people lost loan opportunities. “I was dragged into this, kicking and screaming, because we had borrowers that were getting burned,” he claimed in a 2000 news article. But Eakes has since cast his reluctance aside. Embracing the role of activist, he has called for a higher minimum wage and called for a moratorium on the death penalty in North Carolina. He denounces efforts to permit more competition against Fannie Mae and opposed the more stringent federal bankruptcy law passed by Congress this spring. Most importantly, he has taken his state-based campaign against predatory lending national.

In 2003 Eakes joined forces with ACORN (the Association of Community Organizations for Reform Now), the notorious radical group known for its in-your-face tactics:

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members once dumped garbage at the Baltimore City Hall and demonstrated in front of Mayor Martin O’Malley’s home. The CRL co-signed an ACORN letter to US Rep. Mike Oxley (R-OH), opposing as too weak a bill on predatory lending drafted by Oxley and Rep. Robert Ney (R-OH). Self-Help and ACORN also joined forces to support actions against finance companies undertaken by the Office of Thrift Supervision (OTC). They also urged the Federal Deposit Insurance Corporation and OTC to oppose reform of the Community Reinvestment Act, which penalizes banks

Carolina, which Eakes supported, banned most payday lending. In Georgia, the CRL supported legislation that, in the bill’s words, included “payday lending in the definition of racketeering activity,” and intended “to prohibit activities commonly referred to as payday lending.” It may only be a matter of time before Eakes attempts a similar campaign on the national level.

Eakes’s intense lobbying for more restrictions on the financial industry is sure to hurt the consumer. If Congress complies with CRL demands to require credit card companies to

Eakes has established a home for Self-Help in Washington, D.C. to execute his next big move: to make North Carolina’s predatory lending law the nation’s law.

that fail to meet federal loan requirements in low-income communities.

As was mentioned before, Eakes has established a home for Self Help in Washington, D.C. to execute his next big move: to make North Carolina’s predatory lending law the nation’s law. In May 2005 Eakes testified before a joint hearing of two House subcommittees: Financial Institutions and Consumer Credit and Housing and Community Opportunity. He praised legislation introduced by Democratic Reps. Brad Miller (NC), Melvin Watt (NC), and Barney Frank (MA), saying it was “based on the proven success of the North Carolina law” and offered “strong consumer protections while supporting a healthy subprime mortgage market.” Should this legislation pass, it would severely curtail the ability of subprime lenders to engage in risk pricing. And if subprime lenders cannot compensate for the risk of clients defaulting on loans, they will not make those loans. The subprime mortgage market will wither, and those who cannot qualify for any other loans will suffer.

The CRL seems to want the payday loan industry to go out of business altogether: it laments that the attempts “by regulators to track and restrict repeat borrowing will be resisted by the payday lending industry... because if they were truly effective in protecting borrowers, these provisions would cut off the lifeblood of the industry.” As noted above, the law that passed in North

Carolina, which Eakes supported, banned most payday lending. In Georgia, the CRL supported legislation that, in the bill’s words, included “payday lending in the definition of racketeering activity,” and intended “to prohibit activities commonly referred to as payday lending.” It may only be a matter of time before Eakes attempts a similar campaign on the national level.

The Race Card and Pseudo-Scholarly Research

Self-Help also has a tendency to play the race card to advance its campaigns, and Eakes often teams up with civil rights lobby groups such as the NAACP, the Leadership Conference on Civil Rights, and the National Urban League. Predatory lending “menaces those least able to resist: the poor, immigrants, minorities,” claims a CRL press release. In testimony last April before the Senate Committee on Banking, Housing and Urban Affairs, Eakes stated that, “borrowers in minority neighborhoods face greater odds of receiving a subprime prepayment penalty.” He repeated a similar theme in his May testimony before a joint hearing of two House subcommittees. Eakes’ scheme is clear: if he can convince policymakers that so-called predatory lenders target minorities, then legislators will be more inclined to support his policies out of fear of appearing racist.

Yet what is the evidence that such lenders target minorities? Not surprisingly, much of

it comes from CRL, and its quality leaves much to be desired.

One report, “Borrowers Gain No Interest Rate Benefits from Prepayment Penalties in Subprime Mortgages,” claims that a prepayment penalty (a fee for paying off a loan early) results in no savings in a borrower’s costs. But the authors err by only focusing on the loan interest rate. In fact, mortgage lenders can agree to lower other costs—such as points or other fees—in exchange for a prepayment penalty agreement when they agree to make a loan. By excluding these considerations, the report cannot determine whether a prepayment penalty has any effect on the ultimate cost of a loan.



Eakes’ efforts to decimate subprime mortgages and ban payday lending won’t help workers who rely on such loans to survive.

Another report, “Borrowers in Higher Minority Areas More Likely to Receive Prepayment Penalties on Subprime Loans,” exhibits the same flaw. Prepayment penalties are not necessarily a bad thing. Without examining factors that may offset the prepayment penalties, bemoaning the prevalence of such agreements is meaningless.

The authors of another report charge that “North Carolina payday lending storefronts are disproportionately located in African-American neighborhoods.” The report, “Race Matters: The Concentration of Payday Lenders in African-American Neighborhoods in North Carolina,” does consider how other factors besides race (e.g., income and education levels, the poverty rate, and property ownership) may affect payday lending, yet it treats race quite differently. All variables are coded so that they can take many possible values, but the variable for African-American concentration is coded 1 (if a neighborhood has a “high” concentration of African-Americans) or zero (if it does not). Why the

distinction? The authors claim that the race variable is different from the other variables, but never explain why. The inconsistent treatment of variables suggests that this is the only way the report’s authors can get the results they want.

Other substandard research by CRL includes “North Carolina’s Subprime Home Loan Market After Predatory Lending Reform,” a report that claims to show that Eakes-backed legislation has made a positive difference in North Carolina. It claims that “North Carolina had 15% more subprime home loans per capita than the rest of the nation in 2000,” and that “[s]ubprime home lending continues to thrive in North Carolina.” Yet to compare North Carolina to the rest of the nation in 2000 is misleading. The relevant comparison is of North Carolina in 1999 and 2000, the year after “Predatory Lending Reform” became law. The report’s own data shows that North Carolina saw a drop of almost 28 percent in subprime lending from 1999-2000 compared to a 24 percent decline in the rest of the nation. That suggests that the law explains why there was a greater drop in subprime lending in North Carolina than elsewhere.

Conclusion

There’s a pattern here, and it’s one that permeates “progressive” nonprofits that are funded by leading foundations and government agencies. Martin Eakes and Self-Help have a noble mission—to help the disadvantaged. Over time, the mission becomes an organized program of advocacy that seeks to mandate government restrictions on the freedom of others. The advocacy, which is intended to protect the disadvantaged, hurts those it is supposed to help. What results is an entrenched nonprofit bureaucracy that uses its tax advantages to flourish at the expense of the taxpayers whose own rights it lobbies to restrict.

It would be nice if Self-Help just carried out its mission to providing private capital to low-income homeowners, small businessmen and women. But Martin Eakes has his sights on bigger things. **OT**

David Hogberg is editor of CRC online research programs “Education Watch” and “Greenwatch.” He also cohosts “Organization Watch,” CRC’s monthly radio program.

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BrieflyNoted

John Berlau of the **Competitive Enterprise Institute** wrote on **National Review Online** on September 8 that for years environmental groups have opposed levees as “unnatural” interruptions of river flows. The **Sierra Club**, **American Rivers**, **Mississippi River Basin Alliance**, and **Louisiana, Arkansas and Mississippi Wildlife Federations** sued the **Army Corps of Engineers** in 1996 to halt a plan to raise and fortify Mississippi River levees. The lawsuit, settled in 1997, delayed levee construction for several years. It argued that the levees might affect Mississippi’s bottomland hardwood forests, and they “must be protected and restored if the **Louisiana black bear** is to survive as a species.” In the midst of the **Katrina** chaos, has *anyone* thought of the bears?

On September 8, the **Financial Times** reported that the **New York Stock Exchange** had delayed listing the stock **Life Sciences Research** (LSR), parent of biotech company **Huntingdon Life Sciences**. The reason: activists from the **Animal Liberation Front** (ALF) vandalized the **Manhasset Bay Yacht Club** with red paint and slogans. The yacht club is frequented by executives at **Carr Securities**, a broker that had planned to trade in shares of LSR. A Carr spokesman confirmed that the company had received thousands of e-mails demanding that it not buy LSR stock. Animal Liberation Front, which accuses Huntingdon Life Sciences of animal cruelty, released a statement: “Let this be a message to any other company who chooses to court [Huntingdon Life Sciences] in their 9/7/05 entrance into the NYSE. ... If you trade LSR, make a market for LSR, process orders for LSR, or purchase LSR shares you can expect far worse treatment. The message is simple, DON’T TOUCH HLS.”

The **Chronicle of Higher Education** reported in late August that **Steven Best**, a philosophy professor at the **University of Texas at El Paso** associated with the **Animal Liberation Front**, has been banned from entering the U.K. under anti-hate policies prompted by the July London bombings. The **Home Office** cited Best’s words at a recent animal rights conference in Britain: “We are not terrorists, but we are a threat. ... Our power is not in the right to vote but the power to stop production. We will break the law and destroy property until we win.”

The **National Council of Nonprofit Associations** is lobbying the **Senate** against repealing the **estate tax**, warning that tax revenues will decrease, taxes will increase, and (last but certainly not least) “America’s charities would also lose more than \$17 billion per year in private donations.” **Arthur C. Brooks**, associate professor at **Syracuse University’s Maxwell School of Public Affairs**, pointed out in the **Wall Street Journal** that people tend to donate a higher percentage of inherited wealth than they do other types; if people inherit more after the death tax’s repeal, they might donate more voluntarily. He also summarized the nonprofit stance neatly: “Our organization supports the estate tax so that your family will continue to try to avoid it by giving us money.”

The **Associated Press** reported that **Hilary Shelton**, director of the Washington bureau for the **NAACP**, warned the **House Financial Services Subcommittee** on September 14 that “predatory” mortgage lenders “must be circling some of the worst-hit areas, salivating at the potential for abuse” of **Katrina** victims; he urged a freeze on foreclosures. This is a red herring: most lenders have already allowed affected mortgagors to postpone payments. Besides, it is hardly in the banks’ interests to foreclose on ruined properties no longer worth the value of their mortgages.

The **Association of Community Organizations for Reform Now (ACORN)**, too, has jumped on the “**predatory lending**” bandwagon, attacking **Wells Fargo** in a September 9 press release for “charg[ing] African-Americans and Latinos higher interest rates than whites.” ACORN, like the **Center for Responsible Lending**, ignores economic risk factors among minorities that account for those higher rates. Sadly, Wells Fargo has caved to some of ACORN’s demands. President **Maude Hurd** is still unsatisfied: “Wells still needs to compensate the families and communities its predatory lending has hurt. These business practice changes must also be made permanent and enforceable by Court order.” Maude smells blood in the water.

MoveOn.org staged a September 8 rally outside the **White House** at which protesters carried signs reading “SHAME” and “HELP HURRICANE VICTIMS.” On **National Review Online**, **Byron York** reported that the neatly printed signs were provided by **Fenton Communications**, the same firm that handles anti-war mother **Cindy Sheehan**’s PR. What a small world.

