



- 41 • excessive points fees, yield spread premiums, and interest rates;
- 42 • steering to subprime loans, when unnecessary;
- 43 • forcing credit insurance;
- 44 • excessive prepayment penalties; and
- 45 • refusing to report good credit.

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47 Concerns regarding these abuses as well as the steering of minorities toward the subprime market  
48 contribute to the problem today.<sup>6</sup> “Principles for Global Corporate Responsibility,” *The Corporate*  
49 *Examiner* 31, nos. 4–6 (2001),<sup>7</sup> stipulates that financial services—including micro-financing,  
50 discounted loan services, and other fair lending practices—be made available to local communities,  
51 including those underserved, on a fair and equitable basis. Most recently the credit crisis has  
52 included housing foreclosures, predatory practices in the credit card industry, and lack of access to  
53 credit.

## 54 55 **II. ELCA Social Policy**

56 “Sufficient, Sustainable Livelihood for All” (ELCA, 1999): In its social statement, the church  
57 delineates principles dedicated to sufficient and sustainable economic life for all people,  
58 especially the poor and disenfranchised. It calls for “scrutiny to ensure that new ways of  
59 providing low-income people with assistance and services do not sacrifice the most vulnerable  
60 for the sake of economic efficiency and profit” (pg. 12).

61  
62 The social statement “Freed in Christ: Race, Ethnicity and Culture” (ELCA, 1993) acknowledges  
63 economic forces that work against people of color calling for advocacy to address this injustice.

## 64 65 **III. Responses**

66 Since the inception of the Interfaith Center on Corporate Responsibility, the faith community has  
67 engaged the financial services community. Public information, analyzed through the lens of  
68 those living in poverty, serves as a basis for working with financial institutions. Trends in  
69 lending to low-income and minority borrowers as well as policies regarding these borrowers are  
70 the focus of the work. Dialogues over the last decade have moved from the community  
71 reinvestment act to predatory lending to loan servicing and foreclosure.

## 72 73 **IV. Social Criteria Investment Screens**

74 A screen is a framework of principles specific to an issue by which a company’s activities are  
75 evaluated. The community development social criteria investment screen relates to positive  
76 investments relating to issues addressed in this paper.<sup>8</sup>

## 77 78 **V. Resolutions Guidelines for ELCA – Issue Specific<sup>9</sup>**

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<sup>6</sup> [http://lobby.la.psu.edu/\\_107th/105\\_Predatory\\_Lending/Agency\\_Activities/HUD/HUD\\_PredatoryLending.htm](http://lobby.la.psu.edu/_107th/105_Predatory_Lending/Agency_Activities/HUD/HUD_PredatoryLending.htm)

<sup>7</sup> 3<sup>rd</sup> edition revised and released April 2003, <http://www.bench-marks.org>

<sup>8</sup> <http://www.elca.org/Resources/Corporate-Responsibility>

<sup>9</sup> These guidelines may be used in proxy voting as well as to help determine resolutions to file and dialogues to support. Each resolution guideline should be looked at within the context of the entire resolution language and specific company situation.

- 80 1. We support fair-lending community reinvestment policies.
- 81 2. We support a general program goal for housing loans to low- and moderate-income people,  
82 with the focus on minorities, so that an institution would achieve average industry levels in  
83 the market area.
- 84 3. We support annual reports to shareholders on lending achievements.
- 85 4. We support oversight by outside committees to ensure that no employee or broker engages in  
86 predatory practices.
- 87 5. We support reports on avoidance of predatory lending practices including instructions to  
88 employees on avoidance of predatory lending practices.
- 89 6. We support higher standards in securitizing loans as well as procedures to ensure loan  
90 screening and originator screening for predatory loans.
- 91 7. We support reports on evaluating overdraft policies and practices and the impact these  
92 practices have on borrowers.
- 93 8. We support reports evaluating a company's credit card marketing, lending and collection  
94 practices and the impact these practices have on borrowers.
- 95 9. We support reports that oversee and report on the development and implementation of a  
96 consistent loans-servicing policy and a comprehensive consumer lending policy, including  
97 loan modifications. Other issues addressed could include overdraft fees, non-sufficient funds,  
98 and direct deposits on advanced loans.
- 99 10. We support public reporting of both the trades and their value in over-the-counter credit  
100 default swaps.
- 101 11. We support reports of a company's foreclosure policies, home preservation rates and  
102 foreclosure statistics and staffing to accomplish this work. This report should disaggregate  
103 the data for all racial and ethnic groups, including African-American, Hispanic, as well as  
104 Caucasian mortgage borrowers.
- 105 12. We support reports to (a) develop a standard of suitability for a company's products, (b)  
106 develop internal controls relevant to the implementation of the suitability standard, and (c)  
107 create a public reporting standard that assesses the company's success in providing loans that  
108 meet the suitability standard.
- 109 13. We support reports on policies that are in place to safeguard against the provision of any  
110 financial services for any corporate or individual client that enables capital flight and results  
111 in tax avoidance.
- 112 14. We support reports on the risk management structure, staffing and reporting lines in place to  
113 protect the institution, clients, customers and the financial system across all operations of the  
114 company's business lines. This could include timelines for changes needed to implement  
115 U.S. financial system reforms.

## 116 117 **VI. Resolution Guidelines for ELCA – General**

118 We support practices of good governance, specifically:

- 119 • a company having an independent chair or independent lead director;
- 120 • reports on policies and procedures for political contributions and expenditures (both  
121 direct and indirect made with corporate funds;
- 122 • reports on any portion of any dues or similar payments made to any tax exempt  
123 organization that is used for an expenditure or contribution that might be deemed  
124 political;

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- guidelines or policies governing the company’s political contributions and expenditures; and
- reports on diversity for corporate boards and upper-level management<sup>10</sup>.

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