St. Louis Equal Housing & Community Reinvestment Alliance

SLEHCRA

Community Reinvestment Report

Report to the Community

November 2015

Table of Contents

SLEHCRA is a coalition working to increase investment in low-income communities, regardless of race, and in minority communities, regardless of income, by ensuring that banks are meeting their obligations under the Community Reinvestment Act and fair lending laws. For more information about SLEHCRA, please visit www.slehcra.org.

SLEHCRA Members

Beloved Streets of America

Center for the Acceleration of African American Business (CAAAB)

Coalition of Concerned Citizens, Alton Area

Community Action Agency of St. Louis County (CAASTLC)

Consumers Council of Missouri

Justine PETERSEN

Latinos En Axión STL

Lemay Housing Partnership

Metropolitan St. Louis Equal Housing & Opportunity Council (EHOC)

Missouri Immigrant and Refugee Advocates (MIRA)

Missourians Organizing for Reform and Empowerment (MORE)

MoKan Construction Contractors Assistance Center

NAACP St. Louis City

North County Churches Uniting for Racial Harmony and Justice

Ready, Aim, Advocate! Committee

Urban League of Metropolitan St. Louis

Executive Summary

The St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) is a coalition working to increase investment in low- and moderate-income communities, regardless of race, and in minority communities, regardless of income, by ensuring that banks are meeting their obligations under the Community Reinvestment Act (CRA) and fair lending laws. As a result of SLEHCRA's work over the last seven years, the banking industry in St. Louis has increased focus on community reinvestment and how to serve the needs of underserved communities.

This report is intended to capture changes that increase the availability of mainstream financial services and products to neighborhoods and groups of people historically excluded from banks. Findings were gathered from a survey of 23 banks that operate in the St. Louis metropolitan area on what changes have been made since 2012. Specifically, SLEHCRA finds that banks are making improvements in the following categories:

- **New Bank Branches**: A total of seven new full-service bank branches have opened in in low- and moderate-income neighborhoods and neighborhoods with predominantly minority populations.
- **Community Development Loans and Investments:** Over $2.4 billion in total community development loans and investments has been committed to projects in St. Louis that provide affordable housing, spur economic development opportunities, revitalize neighborhoods or otherwise help low and moderate-income individuals and communities.
- **New Products**: Banks report 50 new bank products have been developed since 2012. These include deposit products such as second chance checking accounts, credit builder loan products, and home mortgage loans that increase access to homeownership for low- and moderate-income households.
- **Marketing and Outreach:** New marketing strategies have increased and diversified marketing and outreach to low- and moderate-income communities and communities of color.
- **Financial Education:** Banks have increased financial education efforts, including developing partnerships with organizations and collaborative to provide financial education and trainings.
- **Community Partnerships**: Banks have developed 127 new partnerships or initiatives with community organizations since 2012.
- **Personnel:** A total of 26 new staff have been hired in positions specifically focused on CRA or community development. Additionally, banks hired people that increased the racial and ethnic diversity of their employees and senior management, as well as multilingual staff that can assist customers with banking transactions in other languages. Six banks added minorities to their board of directors, more closely reflecting the communities their serve.
- **CRA Commitments:** Of the banks in this survey, 18 banks reported making a forward looking commitment for CRA or community development purposes.

The purpose of this report is to recognize the significant improvements in how the needs of low-income communities and communities of color are being met by banks, while also providing examples of best practices in order to continue the trend of improving performance. The changes highlighted in this community reinvestment report are significant, especially considering how much this represents positive changes for the people in the greater St. Louis metro area. SLEHCRA is proud to be a part of these changes, and looks forward to continuing to work with community members, financial institutions, banking regulators, and others to continue making a positive impact in our community.

Introduction

Since its inception in 2009, the St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) has worked to increase investment in low- and moderate-income communities, regardless of race, and in minority communities, regardless of income, by ensuring that banks are meeting their obligations under the Community Reinvestment Act (CRA) and fair lending laws. In practice, this work involves engaging in the CRA process to hold banks and regulators accountable, developing partnerships to help achieve the goals of outstanding performance in the community, and advocating for increased financial services that meet the needs of underserved communities.

SLEHCRA is a coalition of non-profit and community based organizations. Member organizations represent various types of organizations, including civil rights organizations, social service providers, small business resources, and advocates for groups that are traditionally under-represented. Member organizations joined SLEHCRA because they see the potential for change in their neighborhoods and for the people they serve. They are committed to working as a collective to provide better access to financial services and products for the sake of their constituents and the St. Louis community as a whole.

As a result of SLEHCRA's work over the last seven years, the banking industry in St. Louis increased focus on community reinvestment and how to serve the needs of underserved communities. More financial institutions are providing specially-designed products, new branches are opening up in areas previously void of mainstream financial services, and there is an increased focus on community development. All of these changes increase the availability of mainstream financial services to neighborhoods and groups of people historically excluded from banks.

Certainly, not all of these changes are directly attributable to SLEHCRA. Other factors such as changes in the regulatory environment, new data and research on consumer banking habits, and the consequences from the subprime lending boom and ensuing foreclosure crisis all played a role in shaping the banking industry in the St. Louis region and across the country. But regardless of what directly caused or contributed to these changes, the result is a banking environment that is increasingly focused on inclusion and how to serve all parts of the community.

In 2012, SLEHCRA released the first in a series of Reports to the Community. The 2012 report captured what changes had been made since 2009. The report found that $14.5 million was committed by banks for community development activities, 11 new banking products were created, 16 new positions were created at banks to focus on CRA or community development, and more improvements related to financial education, outreach, and community partnerships.

This report is intended to capture what changes have been made since 2012. The findings of this report include changes that banks have made in regards to their community reinvestment and fair lending practices, as well as the outcomes from SLEHCRA's work. The purpose is to recognize the significant improvements in how the needs of low-income communities and communities of color are being met by banks, while also providing examples of best practices in order to continue the trend of improving performance. SLEHCRA hopes that this report is used by financial institutions, regulators, and the public to continue this positive work.

Methodology

A survey was developed to capture the changes and commitments that banks have made since 2012. A total of 42 banks were contacted with the survey via email and mail. The surveys were sent out in June 2015, and 23 banks responded with completed surveys. This represents a 54 percent response rate.

The surveys collected information on activities since 2012 in order to capture changes since the last Report to the Community. Survey questions asked about bank branches, community development loans and investments, new products, marketing, financial education, community partnerships, personnel, and CRA commitments. Of the 16 total questions in the survey, 92 percent of the questions were answered.

Instructions for completing the survey stated that all responses would be aggregated in order to provide confidentiality on survey answers. However, each question also included an option to give permission to share the activity as a best practice.

Responses were then coded by questions in order to aggregate the results. For numeric answers (such as number of new branches or dollar amounts), responses were added together to get the aggregated total. For qualitative answers (such as marketing and outreach strategies or community partnerships), each response was analyzed to tally the number of items listed per response and then was aggregated together to get the total.

Findings

CRA and Fair Lending Accountability

SLEHCRA regularly engages banks and regulators in the CRA process to ensure that banks are truly meeting the needs of all parts of their communities, including low- and moderate-income communities and communities of color. Under the CRA, banks are periodically examined for their performance in lending, services, and investments, depending on the size of the institution. Banks are generally scheduled for a CRA exam every three to five years by federal banking regulators, including the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC). The regulators examine how a bank is providing services to low- and moderate-income individuals and communities in the areas in which the bank is located. The examination results in an overall rating by designating an Outstanding, Satisfactory, Needs to Improve, or Substantial Noncompliance.

A fair lending examination is typically conducted in conjunction with the CRA exam, which includes examining bank practices to ensure that no discriminatory or other illegal credit practices are found. Fair lending, in this case, generally refers to protections of the Fair Housing Act and Equal Credit Opportunity Act that make it illegal to discriminate in housing-related transactions or any provision of credit on the basis of race, color, religion, national origin, gender, disability, familial status, and other protected classes.

Bank Reviews

When a bank is scheduled for a CRA exam, SLEHCRA takes the opportunity to review the bank's performance in how they are meeting their obligations of the CRA and fair lending laws. This review examines how the bank is providing services, loans, and investments to low- and moderate-income borrowers and communities, as well as minority borrowers and communities.

Since 2012, SLEHCRA conducted 37 reviews of bank performance. These reviews include analyzing home mortgage lending data, branch locations, small business data, available products and services, and any other publicly available information related to how the financial institution serves the community. Some of these reviews updated the analysis with the most recent available data. Others compiled the analysis on the bank for the first time. Knowing that publicly-available data is limited, SLEHCRA also considers in the review any information provided directly by the bank about activities or strategies in how they serve the needs of the community. SLEHCRA engages with the bank through meetings with bank representatives and by requesting additional information that may not be reflected or represented in the publicly-reported data.

Public Comment Letters

The CRA regulation provides community groups the opportunity to comment on a bank's CRA performance. Comments are considered by the regulator in the CRA examination. In addition, comments are considered when a bank submits an application to the regulator to expand or merge with another institution. Public comments are intended to provide the banking regulators and the financial institutions with the community's opinion on a bank's performance in meeting the needs of the community.

SLEHCRA filed 30 public comment letters regarding CRA and fair lending performance of banks since 2012. These comment letters were filed with the federal banking regulators, as well as sent to the bank. Comment letters describe SLEHCRA's perception of how a bank is fulfilling their duties under the CRA and fair lending laws. This includes data examined in the bank's review, including branch locations, product offerings, and home mortgage lending data to low- and moderate-income borrowers and communities, as well as minority borrowers and communities. SLEHCRA compares a bank's performance to that of other financial institutions operating in the same geographic area, as well as the demographics of the community, which is the same general metric used by the regulators in their CRA exams. SLEHCRA's comment letters detail any concerns related to how the bank is providing services in the community, as well as highlight any positive effort of the bank to meet the needs of the underserved.

The outcomes of SLEHCRA's reviews and public comment letters can be seen in the continued responsiveness of banks and regulators to addressing CRA and fair lending obligations. The regulators, including the FDIC, Federal Reserve Bank, and the OCC, consider SLEHCRA's public comment letters in CRA examinations and on merger applications. In some cases, the public comment letters affect the regulator's role with the bank in enforcing the regulations and laws.

Highlight

Recently, the Department of Justice announced a settlement with Eagle Bank and Trust regarding a fair lending complaint. The DOJ received the case from a referral from the bank's regulator, the FDIC. As detailed in the DOJ's complaint, the FDIC referred the case based on concerns detailed in a public comment letter submitted by the Metropolitan St. Louis Equal Housing and Opportunity Council, a member of SLEHCRA. SLEHCRA's public comment letter presented the bank's analysis of mortgage lending data, branch locations, and the designation of their assessment area (or service area) for consideration by the FDIC in the bank's CRA exam. Because concerns of redlining and exclusionary lending were detailed in the public comment letter, the FDIC conducted their own examination and then referred the case to the DOJ. Based on these findings, the FDIC gave Eagle Bank and Trust a "Needs to Improve" rating on their CRA examination. SLEHCRA's comment letter helped to not only ensure that the bank was in compliance, but also that the FDIC was doing their job to enforce the CRA and fair lending laws.

Responsible Banking Enforcement

Another aspect of community reinvestment accountability is seen in local governments ensuring that banks doing business with the city are adequately investing in the community. The City of St. Louis has an ordinance Title 5.12, "City Depositories," that "encourage[s] banks and financial institutions to increase their financial commitment to the revitalization of the City through mortgage and home improvement loans to credit-worthy individuals and through commercial loans to facilitate development and redevelopment throughout the City." This ordinance was first enacted in 1998 and is intended to ensure that any bank that holds deposits of the City of St. Louis is providing investment and services to all parts and people of the City, especially those needing revitalization and development. Annually, the City's Office of the Treasurer and the Planning and Urban Design Agency request information from depository banks and compiles the information into a report. The report analyzes branch locations, home mortgage lending and small business lending, where applicable, for each institution. This report is intended to inform where City funds are placed in order to incentivize banks to have a high commitment to investment in the City of St. Louis.

In 2014, SLEHCRA worked with the Office of the Treasurer of the City of St. Louis to develop a method of collecting and analyzing data that would provide more effective information about investment in underserved communities. By requesting additional information of City depositories, the Treasurer and other city officials are more informed about the institutions that hold City funds and how those institutions are investing in the City. With this information, the Treasurer's Office can encourage these banks to invest more in low and moderate-income communities, and address the needs of the people in the City of St. Louis.

"SLEHCRA helped my office create a new City Depository survey that has helped us target our city's deposits with financial institutions that provide services and high levels of investment, in our community. This helps us make sure that we are using your tax dollars to encourage banks to invest in our city."

- Treasurer Tishaura Jones

Bank Changes

Financial institutions implement many activities in the spirit of meeting their obligations to the community. Since 2012, these activities have increased bank services and opportunities to the low- and moderate-income communities and communities of color within the St. Louis region.

This report catalogs bank activities into eight different categories that represent different methods or practices of serving the community. These categories include branch locations, community development lending and investments, bank products, financial education, partnerships with community organizations, CRA Commitments, personnel, and marketing and outreach. The following sections highlight the changes within each of those categories that banks have implemented since 2012.

I. Branch Locations

A total of seven new full-service bank branches have opened in St. Louis neighborhoods. These are all located in low- and moderate-income neighborhoods and neighborhoods with predominantly minority populations.

An additional five bank branches in low- or moderate-income neighborhoods have been renovated or remodeled. This is an important investment in the community, as these new facilities provide better access to services and new technology.

Highlight
Midwest BankCentre opened a full-service bank branch in Pagedale in 2012. This was the first bank branch ever to be located in the city of Pagedale. Now, just three years later, this branch is expected to turn a profit. Typically, new branches begin to make a profit after five years. Midwest BankCentre's Pagedale branch exceeded expectations in terms of profit-making, new deposits, and loans.[i]

Highlight
In the City of St. Louis, Reliance Bank opened a full-service bank branch in the Grove neighborhood in February 2015. This branch is located in a low-income census tract and has a 53.26 percent minority population. Reliance Bank committed to opening a full-service bank branch in the City of St. Louis in a census tract with a predominantly minority population as part of an agreement with SLEHCRA in 2012. The bank renovated the building in the Grove and received an award for their innovative work in rehabbing and preserving this building. The full-service branch works in partnership with another recently opened Loan Production Office at 1027 N. Grand, located in the offices of Justine PETERSEN.

Testimony

Here is what one community member has to say about the new Midwest BankCentre branch in Pagedale:

As a resident of Rosie Shields of the past three (3) years it is a great convenience to have Midwest located at our building. It's just a matter of getting dressed and going to the first floor and we seniors do not have to weather the storms or heat waves. Now who do we talk to about getting a senior discount on money orders and senior bus passes? (smile) All in all it is great to have them near, especially with all the scamming going on and account[s] being breached. We can get immediate help and the employees show us special attention each visit. So thumbs up to Midwest.

II. Community Development Loans and Investments

Financial institutions provide funds for community development through loans and investments. These loans and investments provide access to capital to help neighborhoods and communities with funding that might not otherwise be available. Under the CRA, these loans and investments must meet a designated community development definition. This definition generally covers activities that support affordable housing to low- and moderate-income individuals, target community services to low- and moderate-income individuals, promote economic development to small businesses, and revitalize or stabilize low- and moderate-income neighborhoods.[ii]

Nearly all banks (19) in this survey reported making community development loans and investments. **Over $2.4 billion in total community development loans and investments have been reported since 2012.** Specifically, banks in this survey reported making $1.8 billion in community development loans and over $501 million in community development investments. This means that in just the last three years, more than $2 billion has been committed to projects in St. Louis that provide affordable housing, spur economic development opportunities, revitalize neighborhoods or otherwise help low and moderate-income individuals and communities.

An additional $5 million was reported by banks for other community development commitments. This included sources of funds that were set-aside for grants or funds for low- and moderate-income home mortgages. These funds were most typically reported for closing cost assistance, down-payment assistance, or subsidized interest rates for qualified borrowers. This type of assistance provides a significant benefit to low- and moderate-income borrowers that allows many to access their dream of homeownership for the first time.

Highlight

An innovative community development project reported by a collaboration of banks is working with Justine PETERSEN, a SLEHCRA member, on a small and minority contractor loan fund. Reliance Bank and Citizens National Bank of Greater St. Louis both reported participating in this loan fund with Justine PETERSEN. The fund has deployed over $7 million through 231 different loans to minority-owned or small and emerging contractors. According to Justine PETERSEN, the fund is a smashing success and is looking to replicate efforts in the Midwest and across the country.[iii]

III. New Products

The market of new bank products continues to evolve as the financial industry finds ways to better serve the needs of customers. This includes the development of products that are specifically designed to meet the needs of low- and moderate- income individuals, as well as those that have been traditionally under-served by the mainstream financial institutions. Banks are developing new products with those unique needs in mind.

Since 2012, 16 banks in this survey reported developing a total of 50 new bank products. Those new products represent 50 new ways that banks are responding to and serving the needs of the community, particularly a community that typically has not had access to banks. These new products fall into three categories of service: deposit or retail products, consumer loans, and mortgage products.

<u>Deposit Accounts</u>

Banks reported 24 new deposit products that are specifically designed for low- and moderate-income customers or customers that are unbanked or underbanked. Those new deposit products include seven new second-chance checking accounts. These accounts are for customers that may have had issues with a bank in the past and are listed in Chex Systems. These seven new accounts provide ways for those customers to re-establish a relationship with a mainstream financial institution, which saves them money, opens a more traditional way to save for large purchases and cope with unexpected emergencies, and provides access to other types of financial services and products.

Of the seven banks that reported information on the number of new accounts opened, 956 new deposit accounts have been opened since 2012. That means that almost a thousand individuals and families have opened new checking or savings accounts that were developed specifically to meet their needs.

<u>Consumer Loans</u>

A total of eight new consumer loans have been developed since 2012, all of which are credit-builder products. These types of products include loans or secured credit cards that assist borrowers with establishing or raising credit scores over a short period of time. Four banks reported 564 consumer loans have been made since 2012.

Highlight

Eight new credit building loan products were developed since 2012. Many of these credit building products work by depositing an initial loan amount into a designated savings account. Monthly loan payments are reported to the credit bureaus over the life of the loan, with the final payment paying off the loan in full and releasing the funds in the savings account to the borrower. These types of products work to both have positive monthly credit reports and build savings. Loan terms and fees are low, so that the monthly loan amounts are reasonable and the funds are accessible within a relatively short period of time.

Home Loans

Access to mortgage loans for low- and moderate-income households have also increased because of new products. **Since 2012, banks report 14 new mortgage loan products, including home purchase loans and home improvement loans.**

New home purchase loans include features such as alternative credit considerations, lower down-payment requirements, and other criteria that allow qualified borrowers to purchase a home and build assets. In total, four banks reported making 169 new mortgages since 2012. This count includes all home loans, including home purchase and home improvement loans.

Highlight

Four banks report developing new home improvement loans. Home improvement loans are a much needed source of financing for repair and maintenance on homes, some of which has been deferred through the economic downturn and recession. Families are looking for ways to address the deferred maintenance of their homes in order to stay in their homes longer and protect their biggest asset.

Highlight

In 2012, The St. Louis Regional Unbanked Tasks Force (STRUT) launched the Bank-On Save Up program.[iv] The purpose of BANK-On SAVE-Up St. Louis is to provide access to affordable financial services, including checking and savings accounts to unbanked and underbanked households in the region, and to provide access to saving, credit products, and financial education. As a precursor to launching this initiative, STRUT established a "Products and Services" sub-committee that allowed financial institutions to work with non-profit partners to develop products and services that meet the needs of our target population. New products developed included second chance checking accounts, payday loan alternative products, home repair products, and affordable mortgage products.

IV. Marketing and Outreach

Even with the best products, financial institutions need to find ways of reaching the communities they intend to serve. Reaching low- and moderate- income communities requires different marketing and outreach strategies in order to build awareness, trust, and a customer relationship. Likewise, marketing and advertising need to be culturally competent in order to reach diverse audiences, especially those that have been traditionally underserved by mainstream financial institutions.

Since 2012, banks have been increasing and diversifying their marketing and outreach strategies in order to better reach low- and moderate- income customers and minority customers. **A total of 18 banks reported utilizing 47 new strategies to better increase marketing and outreach to those communities.** This includes strategies in print media, radio and broadcast, billboards, and more. The most common strategy reported was advertising in the St. Louis American. Of those new strategies, six banks reported spending over $390,000 on this marketing and outreach.

V. Financial Education

Although the increase in bank products and marketing of those services provides access points, the community still needs to understand banking practices and how to develop good habits in order to use those services. Financial education is a key component of providing this information to the community as a whole, but particularly the communities that have been traditionally under-served by banks. Since 2012, there has been an increasing focus on financial education among banks, organizations, and community partners. As part of this survey, banks reported on financial education strategies provided within the bank and external partnerships that focused on financial education.

Of banks reporting, 18 banks developed new internal financial education strategies. This includes practices such as offering financial education classes or resources at the bank branches. In addition, 18 banks have also created new partnerships outside of their bank that focus on financial education. Of those, 11 banks reported spending over $500,000 in funds supporting those external financial education partnerships.

Highlight

Money Smart Week is a project of the Greater St. Louis Financial Education Collaborative, which is headed by the United Way and over 130 partners.[v] This collaborative works to increase information and access to financial education and asset building opportunities throughout the region. Money Smart Week is an annual blitz of financial education activities and classes. Throughout the week, classes and events are offered on money management, goal setting, saving for retirement, saving for college, buying your first home, getting out of debt, building credit, how to avoid identity theft, and more.[vi]

In 2015, the third annual Money Smart Week, 123 partners and 15 bank sponsors made Money Smart Week a big success in reaching all parts of the community with financial education and information. In total, 99 events were held in St. Louis City, St. Louis County, and St. Charles County. These events reached a total of 1,357 adults and 1,233 youth.[vii] This collaborative effort, and the participation of financial institutions in particular, is raising the bar on how financial education can happen in the community.

Testimony

One community member shares her story of how financial education through the Community Action Agency of St. Louis County (CAASTLC), a SLEHCRA member, impacted her life. Here is what she has to say:

My life was forever changed when I went to Community Action Agency of Saint Louis. In the beginning, all I knew was that I needed to get a job, make good money and provide for my family. My early ideas of budgeting meant that I needed to make sure that my check would last long enough for the next one to arrive. There didn't seem to be a safety net or an alternative to that lifestyle. I just never seemed to make enough money to cover my bills and I couldn't pay off my increasing debt until tax season. I knew it was an unhealthy way to manage my finances but I had no idea of how to break free from it.

When I attended the Money Matters class at CAASTLC, things began to turn completely around in my life. I discovered what financial freedom could look like and the steps that I needed in order to achieve it. The class focused on setting a budget, using credit wisely and planning for the future through a savings account. After the classes and counseling sessions, I realized that I now had the knowledge that I needed to set things in motion. I could finally see a way out of the financial confusion that existed before and the light at the end of the tunnel was showing me how to get a better grasp on my dreams. Through the help of a strong mentor, a blossoming IDA account and also the development of a well thought out business plan, my small business was born. If anyone would have asked me a couple of years ago about starting my own company, I would have hung my head and told them that it would be nearly impossible. Now I can show them that through hard work and determination, dreams can come to life and become your new life!

VI. Partnerships with Community Organizations

Financial institutions partnering with community organizations can provide resources, technical expertise, volunteers, and a way to create relationships with new clients and customers. Community organizations also benefit from these working relationships with banks. By working with organizations within the community, banks can better position themselves to build trust and connections into an opportunity to serve a particular segment of the community.

The survey asked banks how many new partnerships or initiatives with organizations have been formed since 2012. **In total, banks reported 127 new partnerships with community organizations.** This includes developing new relationships with non-profits and working on new initiatives with established partners.

Highlight

Eagle Bank and Trust reported a new significant relationship with the St. Louis City Office of Financial Dignity. The bank committed monetary support, advisory support, and regular staffing support over the next three years. The City of St. Louis Financial Dignity Center is in partnership with a global leader in financial education, Operation HOPE, Inc. The center assists citizens who want to increase their financial capabilities, raise their credit scores, get out of debt, or start their own business.[viii]

Through workshops, trainings, and individual coaching, citizens have the opportunity to increase their knowledge and skills in financial matters such as homeownership, foreclosure prevention, small business development, credit counseling, and earned income tax credit awareness.[ix] This partnership will have a positive economic impact on individuals and the community.

Another form of partnership is through collaborative organizations. In St. Louis, financial institutions and community organizations have come together to collaboratively address the problem of the unbanked and underbanked. These collaborations include the Greater St. Louis Financial Education Collaborative and the St. Louis Regional Unbanked Taskforce (STRUT). STRUT was formed in response to finding that the St. Louis metropolitan area had the highest percentage of unbanked and underbanked African American households in the country.[x] Since 2012, STRUT launched Bank On Save Up as an initiative to increase checking and savings accounts. The Bank On Save Up initiative now has 18 bank partners. In addition, 57 non-profit organizations are part of the initiative.[xi]

Another collaborative that has formed since 2012 is the Metropolitan St. Louis CRA Association. The purpose of the CRA Association is to identify and address the credit needs of the community and assist small business owners increase capacity. The CRA Association provides professional development and collaborative activities for bank officers that are engaged in community development or CRA work. The CRA Association currently has 33 bank members.[xii]

VII. Personnel

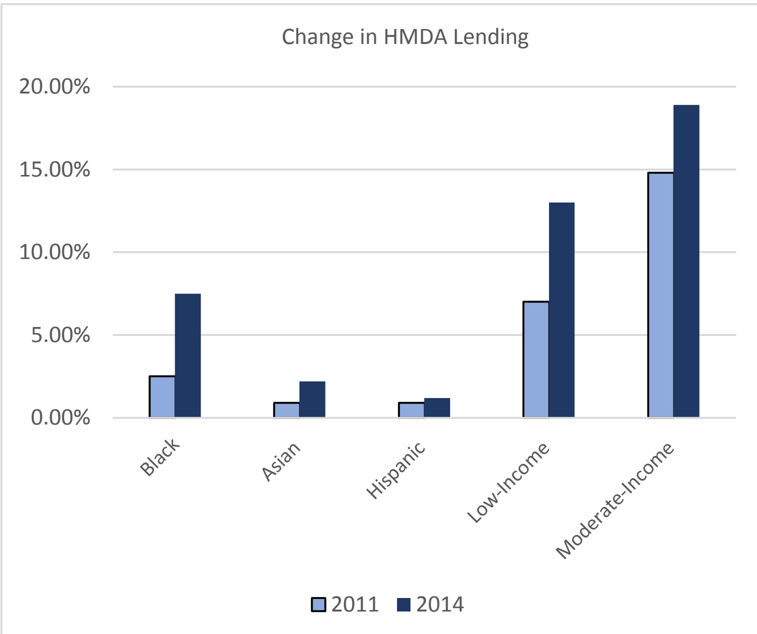
The staff at financial institutions is driving many of these changes and continued efforts to serve all parts of the community. It is essential that banks have staff that understand the needs of the communities and how best to reach them to provide access to services, products, and investments. Therefore, staff needs to be culturally competent and know how to work in low- and moderate-income communities.

Likewise, banks need to have diverse staff that represents the demographics and languages of the communities they serve. This is especially true at all levels of bank leadership, including members of the Board of Directors. This survey included questions about community development or CRA staff, as well as the diversity of bank staff, including employees, senior leadership, and boards of directors.

Since 2012, 10 banks hired 26 new staff members focused on community development or CRA. This includes positions such as Community Development Lenders, many of whom are focused on increasing mortgage lending to low- and moderate- income borrowers and communities. This means that 26 new people are working at banks in the St. Louis region specifically on ways to increase services and investment to low- and moderate- income families and communities.

Highlight

The 10 banks that hired new CRA-focused lenders show an impressive increase in lending to minority borrowers, as well as to low- and moderate-income borrowers. According to HMDA data from 2011 to 2014 in the St. Louis metropolitan area, these lenders increased their market penetration to the following borrowers and groups. The graph below displays the percentage of borrowers in 2011 compared to 2014.[xiii]



- The percentage of African American borrowers increased by nearly 200%, jumping from only 2.5% black borrowers to 7.5% black borrowers.
- A 153% increase in percentage of loans to Asian borrowers and a 42% increase in percentage of loans to Hispanic borrowers.
- An 86% increase in to low-income borrowers and a 28% increase to moderate-income borrowers.

This evidence shows that the banks that hired lenders focused on increasing penetration to underserved communities did increase their lending in substantial ways.

In terms of diversity of employees, **16 banks reported increasing the racial and ethnic diversity of their staff since 2012**. **This includes hiring an additional 995 new people of color that add to the diversity of their bank's employees.**

Employing multilingual bank employees is another essential element in effectively serving all communities. **In this survey, 16 banks reported employing multilingual employees that can assist customers with any banking transaction. Those banks reported a total of 73 multilingual employees.** Of these multilingual employees, 33 speak Bosnian and 26 speak Spanish.

Highlight

First Bank reported that employees can speak a total of 37 different languages, meaning that banking services can be provided in any one of those languages. This is significant because it is important for customers to be able to communicate in a language comfortable to them. First Bank reports that their customers found this service unique and extremely helpful. They can assist clients with language needs throughout the bank, including services beyond what is available at the branches. For example, First Bank said a small business client was in need of training on a new remote banking product. The client was able to get trained through their local banker with the help of an employee that speaks their own language on the phone.

Banks also report increasing the diversity of senior management and those with decision-making authority. **Of banks in this survey, 11 banks report hiring or promoting minorities to senior management positions since 2012. A total of 15 minority individuals have been hired or promoted to those executive-level positions.**

At the highest-level of decision-making, **six banks reported naming minorities to their board of directors, more closely reflecting the communities they serve.**

Highlight

In November 2013, Reliance Bank appointed two new members to their board of directors, both of which are minority individuals. The new board appointments were part of their intentional outreach to low-income communities and communities of color, which was reflected in the media coverage of the bank's announcements.[xiv]

VIII. CRA Commitments

Banks can be proactive about their CRA activities by making commitments to provide a certain level of activities, funds, or investments that relate to community development and the CRA. These commitments or pledges are for forward-looking plans over the next few years. Some types of pledges are more formal and specific, including agreements reached with SLEHCRA or other types of community organizations. Other commitments are more informal, setting a plan for where continued support will go.

Of the banks in this survey, 18 banks reported making a forward looking commitment for CRA or community development purposes. Twelve banks stated their total at $7.7 million in commitments over the next few years.

Highlight

In April 2015, Midwest BankCentre and SLEHCRA developed a Community Benefits Partnership together that specifies CRA and community activities over the next three years. The Partnership was signed as part of the merger between Southern Commercial Bank and Midwest BankCentre, as the bank was expanding into new communities and markets. Specifically, the bank committed to opening a new full-service bank branch in North St. Louis City or North St. Louis County; increasing lending to Latino borrowers; increasing lending to small businesses; providing support for financial education and community reinvestment; and overall striving for an Outstanding rating on the next CRA performance evaluation.[xv]

Conclusion

The changes highlighted in this community reinvestment report are significant, not just considering the changes within the banking industry but considering how much this represents positive changes for the people in the greater St. Louis metro area. Each new product means that someone can now access another service to build wealth and increase assets. Each dollar of a community development loan means more services or benefits to low- and moderate-income individuals and neighborhoods. Every new CRA-focused or diversity hire means that person is helping the bank look like the community in which they serve, creating a more inclusive and community-focused environment that better meets the needs of the people in the community.

Certainly, the work is not done. While the numbers reported here represent positive changes, there are still numbers that show the gaps in service to lower income communities and predominantly minority communities. In 2014, African Americans still only represent 5.7% of all home mortgage lending borrowers in the St. Louis metropolitan area, despite representing over 18% of the population.[xvi] There are still neighborhoods, particularly in North St. Louis City, that do not have a bank branch nearby. Bank employees, particularly among senior management levels, still do not reflect the demographics of the communities.[xvii]

SLEHCRA's work of CRA and fair lending accountability is helping address these challenges and making positive changes. This report documents some of that contribution. Every review of a bank's performance and every public comment letter represent a conversation with a financial institution about how to best serve low- and moderate-income communities and communities of color. Over time, these conversations evolve into new products, partnerships, and strategies that make a real impact. SLEHCRA is proud to be a part of these conversations, and looks forward to continuing to work with community members, financial institutions, banking regulators, and others to continue making positive changes.

[i] Rivas, Rebecca. (2015, April 30). "Midwest expands commitment to minority communities." St. Louis American. http://www.stlamerican.com/business/local_business/article_973e4d8a-eebe-11e4-8020-2f5109f8cf2a.html

[ii] Office of the Comptroller of the Currency (2014, March). "CRA: Community Development Loans, Investments, and Services" *Community Developments Fact Sheet.* http://www.occ.gov/topics/community-affairs/publications/fact-sheets/fact-sheet-cra-loans.pdf

[iii] Personal communication with Galen Gondolfi, Justine PETERSEN.

[iv] Bank On Save Up St Louis. http://getbankednow.org/

[v] Money Smart Week St. Louis – About the Collaborative. http://www.moneysmartstlouis.org/about-the-collaborative/

[vi] "Are You Money Smart?" Money Smart Week St. Louis, http://www.moneysmartstlouis.org/msw/

[vii] Money Smart Week 2015 Results. Personal Correspondence from Janice Gage, CAASTLC

[viii] "Financial Dignity Center" Office of Financial Empowerment, Treasurer, City of St. Louis. http://www.stlofe.org/financial_dignity_center

[ix] Ibid.

[x] FDIC (2009) "National Survey of Unbanked and Underbanked Households." https://www.economicinclusion.gov

[xi] Bank On Save Up St. Louis. Financial Partners and Community Partners. http://getbankednow.org/

[xii] Metropolitan St. Louis CRA Association Fact Sheet. (August 2015)http://mslcra.org/wp-content/uploads/2015/08/MSLCRA-Fact-Sheet-8-2015.pdf

[xiii] Data retrieved using Lending Patterns, 2011 and 2014 HMDA for 10 selected lenders based on responses in the survey.

[xiv] "Reliance Bank Announces New Board Members" (2013, Nov. 7). Press Release. http://interact.stltoday.com/pr/business/PR110713122114984; Edwards, Greg (2013, Nov. 6). "Reliance Bank adds two board members as part of outreach." St. Louis Business Journal. http://www.bizjournals.com/stlouis/blog/2013/11/reliance-bank-adds-two-board-members.html

[xv] Midwest BankCentre and SLEHCRA Announce New Community Benefits Partnership" (2015, April). http://www.slehcra.org/2015/04/midwest-bankcentre-and-slehcra-announce-new-community-benefits-partnership/

[xvi] Data retrieved using Lending Patterns, 2014 HMDA.

[xvii] SLEHCRA (2013, August) "The State of Bank Reinvestment in St. Louis." http://www.slehcra.org/wp-content/uploads/2013/08/State-of-Bank-Reinvestment-in-St-Louis-FINAL-082813.pdf

Report to the Community

November 2015

St. Louis Equal Housing & Community Reinvestment Alliance

www.slehcra.org