

St. Louis Equal Housing and Community Reinvestment Alliance

c/o EHOC · 1027 S. Vandeventer Avenue, 6th floor · St. Louis, MO · 63110 · www.slehcra.org

Member Organizations

October 1, 2012

Coalition of
Concerned Citizens,
Alton Area

Mr. Robert Carmona
Deputy Regional Director
Federal Deposit Insurance Corporation
1100 Walnut St, Suite 2100
Kansas City, MO 64106

Center for the
Acceleration of
African American
Business

Re: Business Bank of St. Louis CRA performance evaluation

Community Action
Agency of St. Louis
County

Dear Mr. Carmona,

Community Resource
and Development
Organization

The St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) would like to issue public comments regarding the Business Bank of St. Louis pursuant to the Community Reinvestment Act (CRA) and the bank's upcoming CRA performance evaluation scheduled for the fourth quarter of 2012. SLEHCRA is a coalition working to increase investment in minority communities, regardless of income, and in low- and moderate-income communities, regardless of race, by ensuring that banks are meeting their obligations under the CRA and fair lending laws. We have serious concerns with the Business Bank of St. Louis and their continuing lack of performance in meeting the needs of low- and moderate-income communities and communities of color. Members of our coalition previously submitted public comments and met with representatives from the Business Bank of St. Louis during the summer of 2009. Since then, we believe the Business Bank has not improved their record of service in the community and continues inadequate service to low- and moderate-income communities and minority communities. We urge the FDIC to consider these concerns in the bank's upcoming CRA performance evaluation and to hold the bank accountable for continued lack of commitment in underserved communities.

Consumers Council
of Missouri

Justine Petersen

Lemay Housing
Partnership

Metropolitan St.
Louis Equal Housing
& Opportunity
Council

Missourians
Organizing for
Reform and
Empowerment

We are concerned that Business Bank of St. Louis is inadequately providing services to low- and moderate-income borrowers and communities.

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According to the Home Mortgage Disclosure Act (HMDA), Business Bank of St. Louis has extremely low market penetration to low- and moderate-income borrowers and communities. From 2008 to 2011, Business Bank originated 2.31 percent of mortgage loans to low-income borrowers and 10.51 percent of loans to moderate-income borrowers. Comparatively, 14 percent of families within the bank's assessment area are considered low-income and 17 percent of families are considered moderate-income, according to the 2000 census demographics in the bank's 2009 CRA performance evaluation.

NAACP St. Louis

North County
Churches Uniting for
Racial Harmony and
Justice

Ready, Aim,
Advocate! Committee

In recent years, mortgage lending at the bank has significantly decreased. In 2008 the bank reported 177 mortgage loan originations and in 2011 the bank reported only 26 mortgage loan originations. Loans originated to low- and moderate-income borrowers also declined and remained extremely limited. In 2011, the bank originated 2 loans to low-income borrowers, representing 7.69 percent of originations, and 3 loans to moderate-income borrowers, representing 11.5 percent of originations. In 2008, the

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bank originated 4 loans to low-income borrowers, or 2.26 percent of loans, and 16 loans to moderate-income borrowers, representing 9.04 percent of originations. The decline in total number of originations caused the percentage of loans originated to low- and moderate-income borrowers to increase, however the number of loans originated to low- and moderate-income borrowers actually decreased. The HMDA data from the most recent years shows a majority of the bank's mortgage lending customers are upper-income borrowers or borrowers that did not report income levels. We are concerned that Business Bank has consistently low levels of lending to low- and moderate-income borrowers.

Additionally, Business Bank's lending to low- and moderate-income communities is unsatisfactory. According to HMDA data from the last four years, 1.54 percent of loans were originated for properties located in low-income census tracts and 6.15 percent of loans were originated to moderate-income census tracts. According to FFIEC's 2012 census data, 3.8 percent of census tracts within the bank's assessment area are low-income and 16.3 percent of census tracts are moderate-income. A majority of Business Bank's loans were originated to upper-income census tracts consistently over the last four years.

We recognize that Business Bank of St. Louis is primarily a commercial bank and that HMDA data represents a very small portion of the bank's business. However, we believe the demographics of the bank's HMDA data represents the same demographics of the bank's other forms of business. As data on small business lending or other commercial lending is not publicly-available, we rely on HMDA data to provide a picture of the bank's market penetration within our community.

While data on small business lending is not publicly available, Business Bank's last CRA performance evaluation reports the geographic distribution of small business loans. According to the CRA exam, the bank did not originate any loans to small businesses located in low-income census tracts and 10 percent of loans to small businesses located in moderate-income census tracts. Over 60 percent of small business loans were originated in upper-income census tracts. Comparatively, the CRA exam reports that less than 1 percent of small businesses are located in low-income census tracts and 11 percent of small businesses are located in moderate-income census tracts. The evaluation used a sampling of the bank's small business loan records. We are concerned with the low levels of lending to small businesses located in low- and moderate-income communities, and we urge the FDIC to thoroughly evaluate the most recent small business lending data and how the bank is responding to the needs of small businesses in low- and moderate- income communities.

The CRA performance evaluation in 2009 of Business Bank of St. Louis notes lower levels of mortgage lending to low- and moderate-income borrowers and communities compared to demographics and peer lending levels. The performance evaluation explains that recent changes in mortgage operations with investors on the secondary marketing tightening credit requirements coupled with the downturn in the economy has impacted Business Bank's lending to borrowers of different income levels. The examination overall considers mortgage lending to borrowers of different income levels to be reasonable. Considering the bank's consistently low levels of lending to low- and moderate-income borrowers and communities, we do not believe the Business Bank's lending record can be considered reasonable. If the underwriting standards of the secondary market have changed to limit access to credit for low- and moderate-income qualified borrowers, Business Bank should be responding to the needs in the community by providing specialized products and services that meet the credit needs of low- and moderate-income families and business owners. Additionally, Business Bank has not improved lending to low- and moderate-income borrowers and communities following our previous public comment letter and proposed strategies to increase services to underserved areas. We urge the FDIC to consider the bank's continued poor

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performance in serving low- and moderate-income borrowers and communities, as well as the bank's responses to community needs.

We also are concerned that the Business Bank of St. Louis is inadequately serving minority borrowers and communities based on extremely low levels of lending and lack of diversity in marketing materials and in bank staff and leadership positions.

According to the HMDA data, the Business Bank has extremely low market penetration to minority borrowers. Over the last four years, minority borrowers represent only 2.05 percent of all mortgage loan originations. From 2008 to 2011, only 4 loans were originated to African-American borrowers, representing 1.04 percent of all loans. Only 2 loans were originated to Asian borrowers and 2 loans were originated to Hispanic borrowers, both representing less than 1 percent of total mortgage lending since 2008. Comparatively, the population within the bank's Assessment Area consists of 15.83 percent African-Americans, 2.78 percent Asians, and 2.43 percent Hispanics, according to the 2010 Census. The bank's lending is substantially below the demographics of the area.

Additionally, the bank has low levels of lending to predominately minority communities. According to HMDA data over the last four years, the Business Bank of St. Louis originated only 3.08 percent of mortgage loans to census tracts with over 50 percent minority population. Comparably, 15.31 percent of census tracts within the bank's assessment area have 50 percent or higher minority population, according to the FFIEC census data. In each year, over 60 percent of loans were originated to census tracts with less than 10 percent minority population.

Again, we recognize that HMDA data provides only a small picture of the bank's customers and business. However, we assume that the demographics of the bank's mortgage lending borrowers reflect the demographics of the customers of the bank's other lines of business, if the Business Bank's mortgage department relies on referrals from its' commercial lenders. Considering the lack of minority borrowers reflected in the bank's mortgage lending data over the last four years, we are concerned with the lack of minority representative in other areas of the bank's business. We urge the FDIC to examine the market penetration to minority borrowers and communities in all other lines of the bank's business to ensure the provision of fair and equal services to minority borrowers and communities as required by the Fair Housing Act and the Equal Credit Opportunity Act.

We also have concerns with the continued underrepresentation of minorities among Business Bank's marketing materials. Specifically, the bank features 15 customer testimonials on a page of their website and as a running header on their home webpage.¹ None of the featured customers are African-Americans or other minorities. This feature appears to be a marketing strategy for the bank, yet is not representative of the demographics of the community and is concerning as a visual representation of the lack of diversity among customers.

In addition, we are concerned with the lack of minority representation among bank staff and leaders. According to pictures on the website of bank executives and Board of Directors, there are no minorities in executive or leadership positions among the bank's Board of Directors, Associate Board, Executive

¹ "The Business Bank of St. Louis :: Welcome" <https://www.bbssl.com/index.aspx>, and "The Business Bank of St. Louis :: Testimonials" https://www.bbssl.com/testimonials_index.aspx.

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Management, Senior Management, and Senior Vice Presidents.² There are also no minorities as part of the bank's mortgage lending team.³ We are seriously concerned with the lack of diversity among the bank's leaders and executives. We believe the addition of people with experience, contacts, and cultural competency allows institutions to effectively reach minority communities and other underserved populations.

In August 2009, SLEHCRA submitted a public comment letter to the FDIC regarding the Business Bank of St. Louis' upcoming CRA examination. That letter highlighted concerns with the bank's market penetration to minority borrowers and communities. Following the public comment letter, members of SLEHCRA met with representatives from Business Bank of St. Louis to discuss our concerns and propose strategies to address the areas of concern. Our proposal included recommendations for additions to the bank's Board of Directors that would increase the racial and ethnic diversity of the board, changes to the bank's marketing materials that included greater minority representation, a partnership with Justine Petersen to support small business programs, and funding for a small business loan pool.

Since 2009, it appears that Business Bank of St. Louis has not improved its record of lending to minority borrowers based on the most recent HMDA data and has not taken steps to ensure greater minority participation among bank staff and leaders. No apparent changes have been made to the bank's marketing strategy as the website still displays predominately white models, the bank's staff and Board of Directors are still all white, and lending data shows a continuing lack of market penetration to minority borrowers and neighborhoods. Business Bank of St. Louis also did not follow-through on the partnership with Justine Petersen.

As a recipient of federal funds under the Troubled Asset Relief Program and the Capital Purchase Program, we believe the Business Bank of St. Louis has an affirmative duty to provide services to all parts of the community. The Business Bank has not yet repaid all of its TARP funds, with an outstanding \$9 million balance. Because of this debt owed to the U.S. Treasury and the American taxpayers, Business Bank has a greater responsibility to affirmatively further fair housing and to provide investment in our community.

We believe Business Bank of St. Louis is failing to serve the needs of all parts of our community as seen in low levels of lending to low- and moderate-income borrowers and communities, low levels of lending to minority borrowers and communities, a lack of diversity among marketing materials and bank executives and directors, and the lack of improvement over the last three years since these concerns were initially raised. We ask the FDIC to consider these concerns and to reflect these in the bank's upcoming CRA evaluation. We also ask the FDIC to thoroughly investigate the bank's fair lending performance and to ensure appropriate enforcement actions are taken where necessary.

Thank you for your consideration.

Sincerely,

² "The Business Bank of St. Louis :: Directors & Bank Executives" https://www.bbssl.com/about_directors.aspx

³ "The Business Bank of St. Louis :: Mortgage Services" https://www.bbssl.com/mortgage_index.aspx

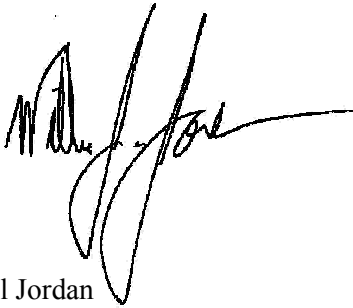
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Merline Anderson
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