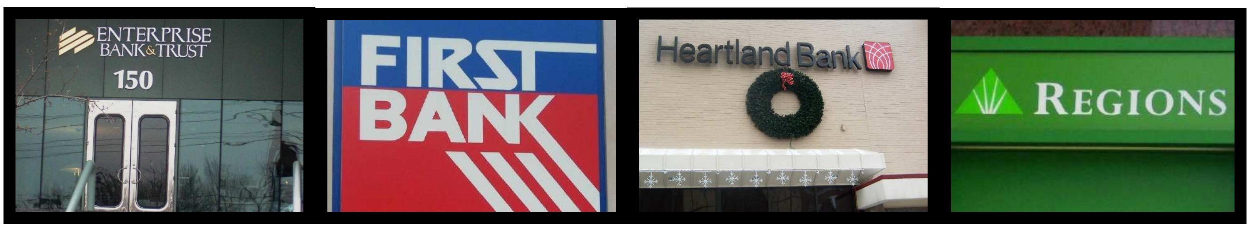
Bailing Out

on Community Reinvestment



A St. Louis Fair Lending Report

Metropolitan St. Louis Equal Housing Opportunity Council
December 2008

The Metropolitan St. Louis Equal Housing Opportunity Council (EHOC) is a private nonprofit fair housing organization that works to ensure equal access to housing for all through education, counseling, investigation and enforcement of fair housing laws. EHOC is a member of the National Community Reinvestment Coalition (www.ncrc.org) and the National Fair Housing Alliance (www.nationalfairhousing.org).

Acknowledgement

I would like to acknowledge David Binder whose research on St. Louis lenders' HMDA and CRA records was immensely helpful in compiling this report.

I. Introduction

Over the past year, the foreclosure crisis has focused national attention on the subprime mortgage market, as an increasing number of homeowners defaulted on mortgages when their interest rates reset. Predatory lenders and mortgage brokers were the engine of the foreclosure crisis, issuing loans to borrowers without regard to their ability to repay, when initial teaser rates gave way to ever-rising interest rates. National studies have documented that minorities were particularly vulnerable to predatory lenders, as they were steered toward subprime products even when they could qualify for prime products. A study conducted in 2002 by the Center for Community Change found that the St. Louis metropolitan area had the highest racial disparity in subprime lending among upper income borrowers. An upper income African American borrower was 5.93 times more likely to get a subprime loan than an upper income white borrower.[1] While the federal priority on homeownership over the past decade had begun to narrow the homeownership gap between blacks and whites, the foreclosure epidemic has started turning back the clock on any progress that was made.

While the subprime mortgage boom and bust has been well documented, less attention has been paid to the practices of prime lenders, the brick and mortar banks that are now also struggling as a result of the subprime meltdown. These lenders are now eligible for taxpayer funds under the U. S. Treasury's Troubled Assets Relief Program (TARP) that Congress authorized through the $700 billion Emergency Economic Stabilization Act. This study examines the recent fair lending record of Saint Louis area lenders that have applied for or expressed an interest in applying for TARP funds.

Recent public attention on the Community Reinvestment Act (CRA) has mistakenly led some to believe that the CRA caused the current foreclosure crisis, by forcing lenders to relax their underwriting standards and issue credit to borrowers who would have been ineligible. In fact, the great majority of subprime loans were not covered at all by the Community Reinvestment Act,[2] and research has demonstrated that the CRA in fact deterred irresponsible lending.[3] On the contrary, many argue that the Community Reinvestment Act and other civil rights and consumer protection laws didn't go far enough and weren't enforced strongly enough to prevent the current crisis. A report released by the U. S. Department of Housing & Urban Development in 2000 called for expanded access to prime banks in low-income and minority communities to prevent further saturation of this market by subprime and predatory lenders, a process many call "reverse redlining."[4] Had low-income and minority communities had access to traditional brick and mortar banks and to prime mortgage products, perhaps many of these neighborhoods would not have been caught up in the subprime boom and ensuing bust. It is therefore critical that we examine the practices of these prime lenders, especially those seeking taxpayer relief, to ensure that they are reaching all segments of our community.

The report focuses on fair lending and community reinvestment practices of eight lenders in the St. Louis area who have already applied for or who are considering applying for funds through the U.S. Treasury's Capitol Purchase Program. The lenders include Bank of America, which was approved for $15 billion purchase of preferred stock on 10/28/08[5]; Enterprise Bank and Trust, headquartered in Clayton, which has expressed interest in participating in the program[6]; First

Bank, headquartered in Creve-Coeur, which has not decided whether to participate[7]; Clayton-based Heartland Bank, which has also yet to decide whether to participate[8]; Creve Coeur-based Pulaski Bank, which has decided to move forward with an application[9]; Regions Bank, which was approved for a $3.5 billion purchase on 11/14/08[10]; Southwest Bank, whose parent company, Marshall & Isley was approved for a purchase of $1.715 billion on 11/14/08[11]; and US Bank, approved for a $6.599 billion purchase also on 11/14/08.[12]

This report recommends that lenders that do not meet highly satisfactory standards of investment in low-income and minority neighborhoods be required to submit an affirmative fair lending marketing plan and demonstrate their commitment to fair lending and community reinvestment before being approved for funds through the TARP program.

II. The Role of Civil Rights Laws in Mortgage Lending

The Fair Housing Act was passed in 1968 to prohibit discrimination in housing and housing-related transactions because of race, color, religion and national origin. Subsequent amendments made it unlawful to discriminate based also on gender, national origin and disability. The FHA makes it unlawful for lenders to engage in "redlining" practices in which a lender refuses to make loans in minority communities or to locate branches or services because of the racial makeup of an area. The Fair Housing Act also prohibits mortgage lenders, mortgage brokers and others involved in mortgage financing to treat applicants differently based on their membership in a protected class. The Equal Credit Opportunity Act (ECOA) expanded on lending protections in the Fair Housing Act to protect all credit applicants from discrimination on the basis of race, color, religion, national origin, gender, marital status, age or public assistance status.

In 1974, the Housing and Community Development Act created the Community Development Block Grant program which contains a requirement that jurisdictions funded through the CDBG program must demonstrate that they are "affirmatively furthering fair housing." This principle that federal funds must be used to roll back the historical effects of discrimination is encoded into the Fair Housing Act at Section 808(d), which holds that "[a]ll executive departments and agencies shall administer their programs and activities relating to housing and urban development…in a manner affirmatively to further the purposes of this subchapter." Executive Order 12892, signed by President Clinton, reaffirms this commitment by providing that federal housing-related grants, loans, contracts, guarantees and federal supervision or regulation of financial institutions must be administered "in a manner affirmatively to further the purposes of the [Fair Housing] Act."[13] As such, lenders who accept funds or guarantees through the Treasury Department's Capital Purchase Program must not only abide by the express terms of the Fair Housing Act (which prohibit discrimination in mortgage lending) but must actually go beyond the requirements of the Fair Housing Act and demonstrate how the funds they are receiving will go to *affirmatively* further the purposes of the Fair Housing Act.

The Community Reinvestment Act, passed in 1977, is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low and moderate income neighborhoods, consistent with safe and sound banking operations.

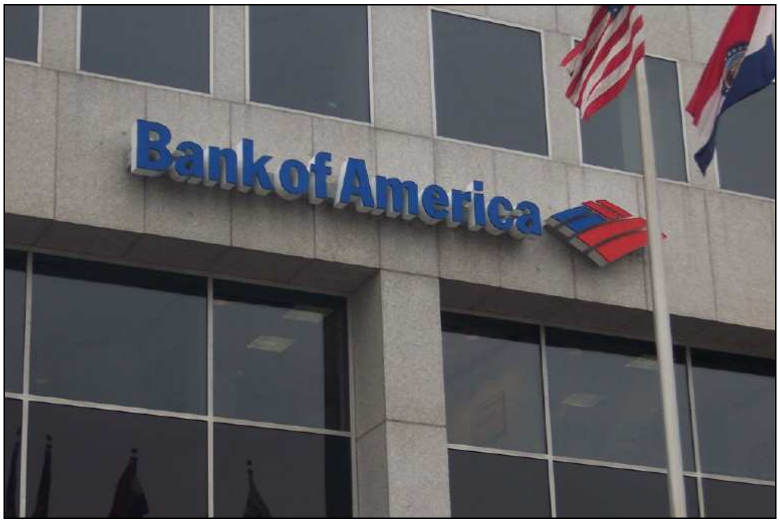
The CRA currently evaluates lending to low and moderate income borrowers and neighborhoods. Federal regulators must take into account input from community organizations and the general public on a bank's CRA and fair lending record when evaluating the bank; the CRA has been most effective in increasing responsible lending in low-income and minority communities in cities in which community organizations have formed community partnership agreements with lenders to assist them in complying with the Act. Federal regulators may hold up mergers and acquisitions of lenders that don't meet the credit needs of the communities in which they operate. Under the same principles, regulators may also have the authority to hold up participation in the Capital Purchase Program if lenders do not adequately meet the credit needs of the communities in which they operate. Rep. Eddie Bernice Johnson and Rep. Gutierrez have introduced the CRA Modernization Act of 2007 and plan to introduce the CRA Modernization Act of 2009 in the first few weeks of the 111th Congress, which would recommend that the CRA explicitly evaluate bank performance in serving minorities and minority communities and would expand the reach of the CRA to cover non-depository mortgage companies as well.

III. Methodology

This study was conducted by examining 2007 HMDA loan data, which lenders are required to disclose through the Home Mortgage Disclosure Act. EHOC also examined the most recent exam conducted through the Community Reinvestment Act. Finally, information was gathered through bank websites which had annual reports and data on branch locations. The HMDA data gathered is summarized in Section V which contains Comparison Tables for the 8 banks. Section VI ranks all banks with each other according to lending to African Americans, Asians, Hispanics and to low and moderate income census tracts based on data in Section V. Only data from Tables 1 – 9 were used in this ranking, thus it doesn't capture pricing differences, branch locations, flexible loan products, community development loans or the bank's overall CRA rating. None of the data has been weighted. This is not meant to be a scientific ranking; it is merely done to focus public attention on differences in bank lending patterns and outcomes.

IV. Individual Bank Assessments

The following section contains page-long reports on each lender examined, with a description of the bank, an analysis of the bank's strengths in the areas of fair lending and community reinvestment in low and moderate income areas, and an analysis of the areas identified for improvement.

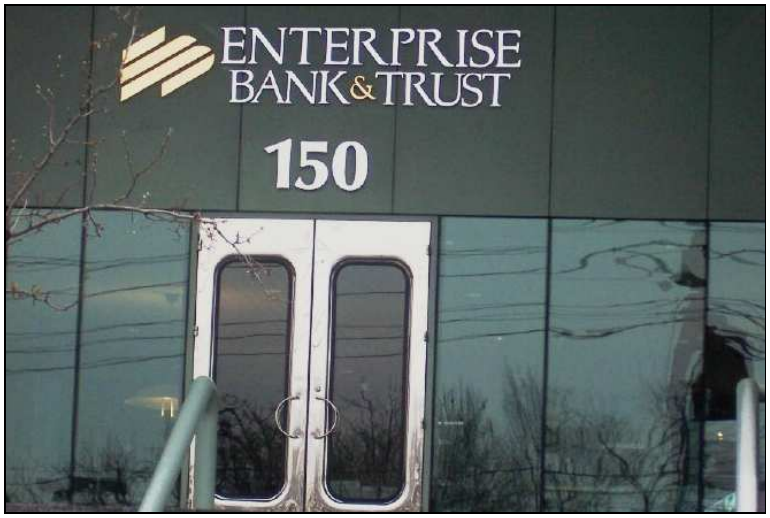


1. Bank of America

Description of Bank: Bank of America is a large national bank headquartered in Charlotte, North Carolina, that is regulated by the Office of the Comptroller of the Currency (OCC). Its last CRA exam was released on 12/31/2006. According to this data, Bank of America held a 13% share of the St. Louis market representing $6.6 billion in deposits, only exceeded by US Bank, which held a 17% market share. Commerce, the next largest, held a 7% share of the St. Louis market.[14] In 2006, Bank of America had 60 branch locations and 167 ATMs in the St. Louis metropolitan area.[15] At the time of its 2006 CRA evaluation, Bank of America had one branch located in a low-income census tract, 16 branches in moderate-income census tracts, 22 in middle-income census tracts and 22 in upper-income census tracts. The bank had a net decrease of 21 census tracts since the last evaluation, having lost 1 branch in a low-income census tract, 2 in moderate-income census tracts, 12 in middle-income census tracts and 6 in upper-income census tracts. For its St. Louis operations, Bank of America received a rating of "Outstanding" on its overall most recent CRA evaluation. It received an "Outstanding" rating on its Lending and Investment tests and a "High Satisfactory" on its Service test.[16]

Strengths: Bank of America was the leader in market penetration in minority communities. A full 18.33% of applicants for all mortgages (including purchase loans, mortgage refinances, home improvement loans) were African American, a percentage proportionate to the African American population in the St. Louis metropolitan area. Over 2% of borrowers were Hispanic and 2.5% were Asian, both higher than their percentage of the population in the St. Louis metropolitan area. Bank of America also originated more loans to African Americans as a percentage of total mortgage loans than any other bank in the St. Louis metro area, and loaned more money to African Americans as a percentage of all mortgage lending than any other of the banks assessed. Bank of America trailed only behind Southwest Bank in its percentage of loans to low-income census tracts. Bank of America was also cited in its CRA evaluation for its innovative program to support nonprofit organizations called the "Neighborhood Excellence Initiative" which invested $50 million in 44 cities in which it operated. Funds are used for leadership training and $200,000 in unrestricted general operating support for each recipient. Recipients of the Neighborhood Excellence Initiative include Old North St. Louis Restoration Group, Teach for America St. Louis, DeSales Community Housing Corporation, St. Patrick Center, St. Louis Association of Community Organizations (SLACO) and Downtown Now. Bank of America invested in $24.8 million in Low Income Housing Tax Credit projects in the St. Louis area which created more than 1000 affordable housing units.[17]

Areas for Improvement: Hispanic borrowers (36.49%) were approximately twice as likely to be denied a mortgage than white borrowers (18.77%), and were denied at a rate significantly higher than the average of the 8 lenders that were assessed (24.79%).

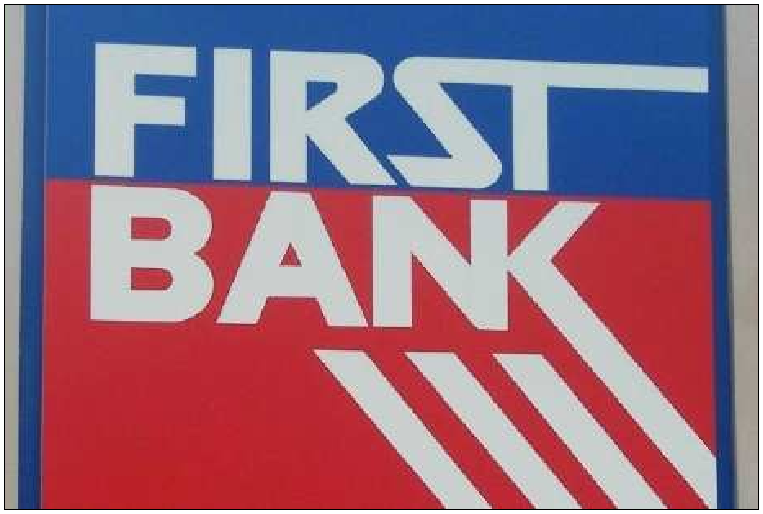


2. Enterprise Bank & Trust

Description of Bank: Enterprise Bank & Trust is a commercial bank headquartered in Clayton, Missouri, with four branches in the St. Louis area, eight locations in the Kansas City area and new acquisitions in the Phoenix area. Enterprise Bank & Trust prides itself on being the largest publicly traded bank headquartered in St. Louis.[18] Of its five locations in the St. Louis area, one is located in a majority African American census tract, two in moderate-income census tracts and none in a low-income census tract. Enterprise Bank was last evaluated under the Community Reinvestment Act by the FDIC in March 2007, and it received an overall rating of "Satisfactory." The bank received a "Low Satisfactory" rating for its Lending test, "Low Satisfactory" for its Investment Test and a "High Satisfactory" for its Service test. Enterprise has never received higher than a "Satisfactory" rating on its CRA evaluation. In its 1991 CRA evaluation, Enterprise Bank received a rating of "Substantial Noncompliance," the only of these 8 banks ever to receive such a rating.

Strengths: Enterprise Bank & Trust had the highest origination rate for African Americans of any of the 8 banks surveyed, and the second highest origination rate for Asians of those surveyed. However, these figures mask the truly low percentage of minorities that actually applied for loans with Enterprise.

Areas for Improvement: Enterprise Bank has a poor record of penetration in minority and low-income communities. Less than 1% of its applicants for mortgages were African American, the smallest percentage of any bank surveyed. Considering that African Americans constitute 15.5% of the population in Enterprise Bank's assessment area (St. Louis and St. Charles counties) and 18% of the population in the St. Louis MSA, this is an abysmal record. Enterprise Bank & Trust made no home loans to Hispanic borrowers in 2007 and 2006. Enterprise also lent less money to high minority census tracts than any other bank surveyed. Only 1.13% of the value of its loans was invested in census tracts that were more than 80% African American. Enterprise Bank appears to have made progress with lending to low- and moderate-income census tracts, but still has further to go. According to Enterprise's most recent CRA evaluation: "Enterprise Bank & Trust's 2005 HMDA lending reflects poor penetration throughout the St. Louis AA. The bank's 2005 HMDA lending percentages in the LMI CTs in their AA [low and moderate income census tracts in their assessment area], based on the number of loans, are generally less than pertinent demographic data and aggregate lending data for these LMI CTs."[19]

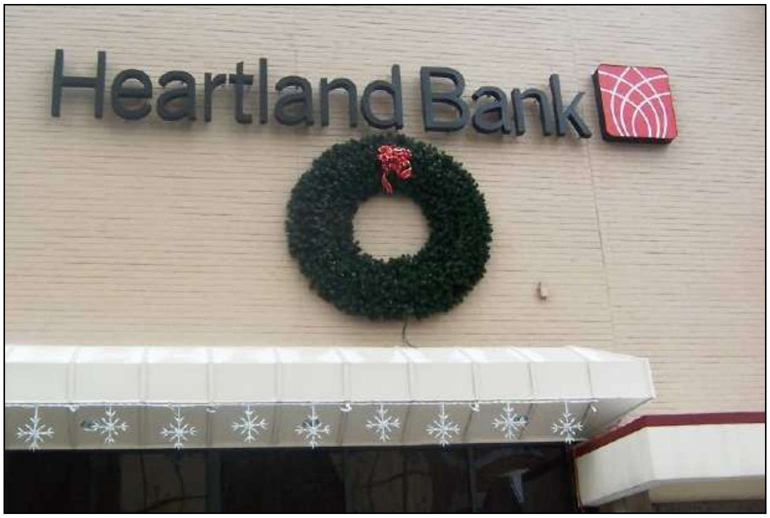


3. First Bank

Description of Bank: First Bank is a family-owned bank, owned by the Dierberg family, now in its fourth generation of family ownership. First Bank boasts that it is one of the largest privately owned bank holding companies in the United States today. The bank has 215 locations (including branches and ATMs) and has $10.27 billion in assets.[20] The bank's holding company headquarters are in Clayton, Missouri, while its charter headquarters are in Creve Coeur. Besides the St. Louis metropolitan area, the bank also has offices in California, Florida, Illinois and Texas. First Bank was examined by the Federal Reserve Board for CRA compliance on July 24, 2006. it received a "Satisfactory" rating for its St. Louis operations and received a "Low Satisfactory" on its Lending exam for St. Louis[21]; a "High Satisfactory" on its Investment Test; and "Low Satisfactory" on its Service test in the St. Louis metropolitan area. As of its latest CRA exam, First Bank had 54 branches in the St. Louis metropolitan area.[22]

Strengths: First Bank had the lowest denial rates for Hispanic borrowers of any bank surveyed. Of the 11 Hispanic applicants for home loans, First Bank originated 10 and denied only one. The bank's Community Affairs officer has participated in the St. Louis Coalition for Reputable Lending, whose Don't Borrow Trouble campaign worked to educate and counsel homebuyers about predatory lending. According to their website, during 2006, First Bank performed over 5,300 hours of volunteer work in the community and contributed more than $33 million to community organizations. During 2006, First Bank originated community development loans in excess of $108 million.[23]

Areas for Improvement: First Bank has the largest disparity in origination rates between minorities and whites of any of the banks surveyed. White applicants were more than twice as likely to originate their loan at First Bank as African American and Asian borrowers. First Bank also has the lowest origination rates for African Americans and for Asians of any of the 8 lenders assessed. The origination rate for African Americans is only 32.33%, compared to an origination rate of 74.20% for white applicants. Similarly, the origination rate for Asians is only 33.33%. Of all the banks surveyed, First Bank had the lowest percentage of applicants that were Asian. First Bank similarly has the highest denial rates for African Americans and Asians, and has the highest disparity in denials between white borrowers and minority borrowers. Black and Asian borrowers were three times as likely as white borrowers to be denied a home mortgage. More than 57% of African Americans, and more than 53% of Asians were denied loans, compared to a denial rate of 17.8% for white borrowers. African Americans and Asians that did receive a mortgage through First Bank often received a high cost loan, compared to white borrowers. Eight out of twenty, or 40%, of African Americans received a high cost loan (3 or more points above Treasury); only 46 out of 592 whites, or 7.8% received a high cost loan. A larger percentage of its loans were in overwhelmingly white areas (census tracts with less than 10% minorities) than any other bank surveyed.

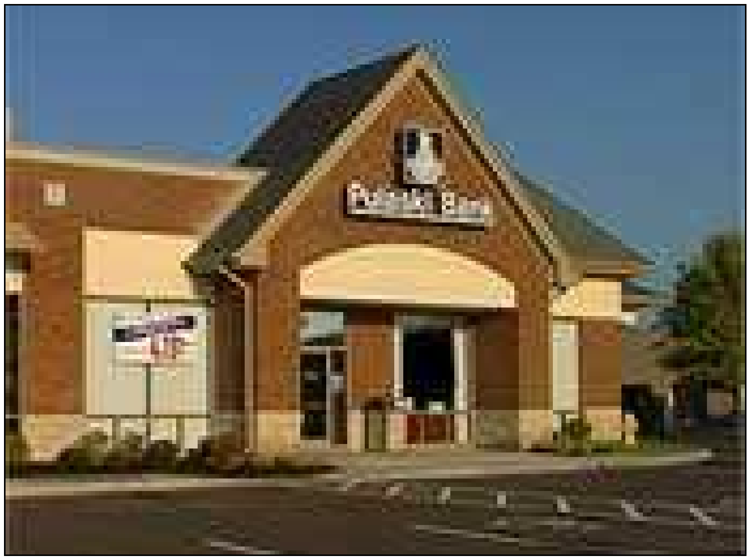


4. Heartland Bank

Description: Heartland Bank is a federally-chartered stock institution which is wholly owned by Love Savings Holding Company.[24] The bank had assets of $892.4 million in March 2008.[25] Heartland is headquartered in St. Louis, Missouri, and has 11 branches in St. Louis and a twelfth in Denver, Colorado.[26] Heartland Bank is regulated by the Office of Thrift Supervision (OTS) which released its most recent CRA assessment on 10/2008. The bank received an overall rating of “Satisfactory” as well as “Satisfactory” ratings for both Lending and Community Development.[27]

Strengths: Heartland Bank originated every single home loan application from a Hispanic borrower (7 applications) in 2007. Heartland Bank made a community development loan for $5.1 million for affordable housing in the city of St. Louis and Kansas City.[28]

Areas for Improvement: According to their latest CRA evaluation, Heartland Bank’s record of lending to low and moderate income borrowers has “room for improvement.” The bank made 20.8% of its loans to low and moderate-income borrowers compared to an average of 29.2% of other HMDA reporters in the same period.[29] None of the branches are located in low- or moderate-income census tracts. The bank’s delivery of services also disadvantages African Americans. The branch located in Rock Hill had 35.5% African Americans. Every other branch is located in census tracts with less than 2.5% African Americans.[30] The bank’s branches are located in the southern and western regions of Saint Louis as south as Arnold and as west as O’Fallon, but there are no branches in north Saint Louis city or county which has a higher concentration of African Americans. Without a single branch in a census tract with a majority of African Americans, this bank is disadvantaging a large portion of the St. Louis community.



5. Pulaski Bank

Description: Pulaski Bank is headquartered in Creve Coeur, Missouri. The bank is regulated by the Office of Thrift Supervision (OTS) and has been examined since 2002 as a large bank and before that as a small bank. Pulaski Bank has received "Satisfactory" ratings in its last evaluation and in all previous evaluations since 1995, when it received two consecutive "Outstanding" ratings. Pulaski Bank's last evaluation by the OTS was released in December 2007; for its individual tests, it received a rating of "High Satisfactory" on its Lending test, "Outstanding" on its Investment test, and "High Satisfactory" on its Service test[31]. Pulaski Bank operates 12 full service locations in the St. Louis metropolitan area. As of December 2007, the bank's assets totaled $1.25 billion, with $1 billion in mortgage loans.[32] In 2006, Pulaski ranked 8th in the number of mortgage loans originated or purchased in the St. Louis metropolitan area; only large national banks exceeded Pulaski's number of loans.[33]

Strengths: Pulaski Bank's origination rates for all racial / ethnic groups studied was over 80% and there was a 10-point spread between origination rates by race, a much smaller percentage than most other lenders surveyed. Pulaski Bank had the lowest disparity in rates of denials of African American borrowers. The bank offers flexible loan programs, and participates in government insured FHA/VA programs as well as MHDC programs targeted at low and moderate income borrowers. In its most recent CRA examination, the OTS said that Pulaski Bank is a leader in community development loans.[34] The bank made a $2.0 million investment in the St. Louis Equity Fund.[35] Of its 12 locations, 4 branches are in majority African American census tracts. In 2007 Pulaski Bank committed to a $200,000 investment in the International Institute for micro lending to immigrant small business owners.[36]

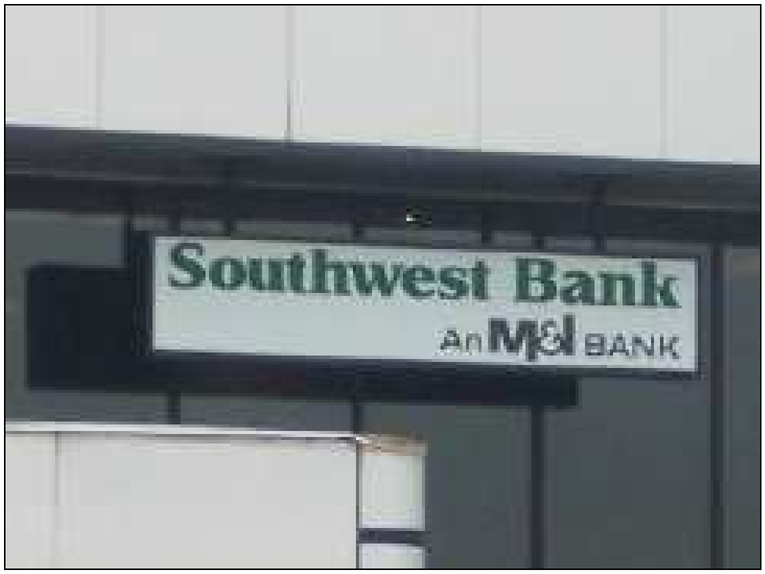
Areas for Improvement: Pulaski Bank's most recent CRA exam noted that the bank's "percentage of mortgage lending in low-income tracts was slightly less than the comparable average record of all HMDA-reporting institutions in both 2005 and 2006. Pulaski Bank's percentage of mortgage lending in moderate-income tracts is considerably lower than for all HMDA-reporting institutions in both years."[37] Pulaski Bank's lending to African Americans is considerably less than their percentage of the population. Only 6.78% of its applicants were African American, though African Americans constituted over 18% of the population.

6. Regions Bank

Description: Regions is a large national bank based in Birmingham, Alabama with almost 2000 branches nationwide. Regions merged with Memphis-based Union Planters in 2004, bringing it into the St. Louis market. Regions Bank had its most recent CRA examination in the first quarter of 2008 but the report has not yet been publicly released.[38] The most recent public CRA rating in the St. Louis area was of Union Planters bank by the OCC which was released on March 29, 2004. It received an overall rating of "Satisfactory" which included a "High Satisfactory" rating on the Lending test and "Low Satisfactory" ratings on both the Investment and Service tests. The CRA rating for the St. Louis MSA mirrored its national rating. At the time of the review it had 80 branches in the St. Louis MSA. Regions Bank has approximately 69 branches currently in the St. Louis metropolitan area.

Strengths: At the time of its last CRA evaluation, Union Planters Bank offered a Self-Help Affordable Housing flexible loan product targeted to low- and moderate-income borrowers. Regions has committed to investing at least $100 billion over seven years (2007-2013) nationwide to support community development, small business lending and mortgage lending for low and moderate income communities and borrowers. In its first year, it exceeded its goal, by investing $25.1 billion in 2007 for community development, small business and mortgage lending for low-income communities and borrowers across the South, Midwest and Texas.[39]

Areas for Improvement: Regions Bank has a large disparity between origination rates for white borrowers and for African American borrowers: only 36.07% of applications from African American borrowers ended up in a loan origination, compared to 57.88% for white borrowers. African American applicants are denied home loans 41% of the time, which is about twice the rate of white applicants who are denied 21% of the time. At the time of its last CRA evaluation, Union Planters Bank had no branches in low-income census tracts; only 2.5% of its branches were in moderate-income census tracts.[40] This led to less lending in low-income areas. Of all the banks surveyed, Regions Bank invested less money in low-income areas as a percentage of its overall lending than any other bank: less than 1% of its home loans (by mortgage amount) was made to low-income census tracts. Regions Bank lent less money in African American neighborhoods than any other bank surveyed. Only about 6% of its loans were in predominately African American census tracts. Regions invested less than 5% of its assets in African American areas. When African Americans did get home loans with Regions, they paid higher interest rates than their white counterparts: 7% of white borrowers received high cost loans compared to 10% of Asian borrowers, 17% of Hispanic borrowers and 24% of African American borrowers.

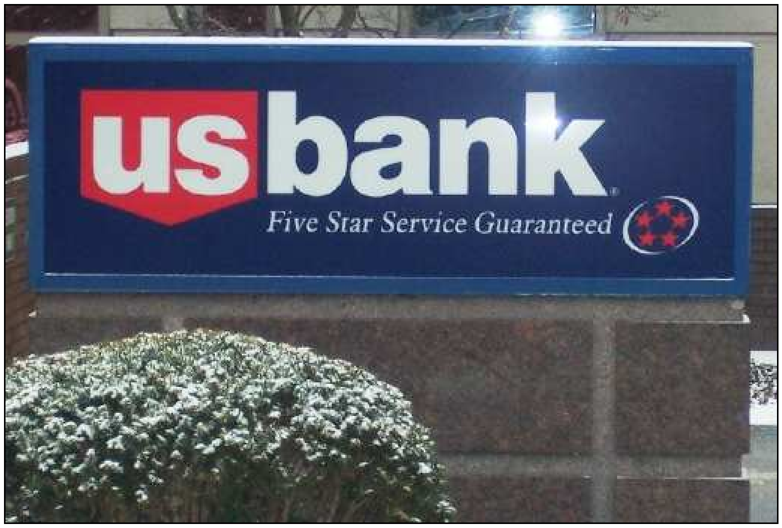


7. Southwest Bank

Description: Southwest Bank is a wholly-owned subsidiary of Marshall & Isley Corporation which is headquartered in Milwaukee, Wisconsin. Southwest Bank has 17 branches in the St. Louis metropolitan area. The bank had $4.2 billion in assets as of June 2007.[41] Southwest Bank was last examined on 10/29/07 and received a rating of "Outstanding." On its Lending test, Southwest Bank received a "High Satisfactory"; and it received "Outstanding" ratings on both its Service and Investment tests.

Strengths: Southwest Bank has the highest percentage of Asian and Hispanic applicants and originations of any bank surveyed. The bank lent over 6%of its assets to Hispanic borrowers, a higher percentage than any other bank. Southwest Bank lent more money and issued more home loans to low- and moderate- income census tracts than any other bank surveyed. Over 30% of its loans were to LMI census tracts. Southwest Bank also lent more money and issued more home loans to predominately African American neighborhoods than any other bank. Almost 20% of its loans were issued in predominately African American census tracts. The bank had a lower disparity in pricing than most other banks surveyed: of the loans reported, 7.8% of white borrowers received high cost loans compared to 7.1% of Asian borrowers, 11.1% of African American borrowers and 14.3% of Hispanic borrowers. The bank participates in the St. Louis Metro Foreclosure Prevention Task Force.

Areas for Improvement: None of Southwest Bank's branches are located in low-income census tracts.[42] Less than 4% of the home loans originated by Southwest Bank went to African Americans, though African Americans constitute 18% of the population in the St. Louis metropolitan area. Southwest Bank has a high disparity between origination rates for African American borrowers compared to all other borrowers: less than 50% of applications from African American borrowers led to an origination, compared to an origination rate of over 70% for all other groups. Similarly, the denial rats for African Americans are twice that of whites: approximately 18% of white applicants were denied, compared to over 37% denial rate for African American applicants.



8. US Bank

Description of Bank: U. S. Bank is a large national bank with a main office in Cincinnati and managed out of Minneapolis. As of its last CRA evaluation, it had $8.9 billion in deposits in the St. Louis metropolitan area and ranked first of all lenders operating in St. Louis in terms of deposit market share, capturing 19% of the St. Louis market.[43] U. S. Bank has 97 branches in the St. Louis area.[44] Its last CRA evaluation, conducted by the Office of the Comptroller of Currency (OCC), was in 2005. For its activity in the St. Louis metropolitan area, U. S. Bank received an overall rating of "Outstanding" and individual ratings of "Outstanding" on its Lending and Investment tests and "High Satisfactory" on its Service test.[45]

Strengths: U.S. Bank has a number of flexible loan products geared towards low and moderate income households including the American Dream, Deferred Assistance Loan and Barrier Buster programs.[46] According to its last CRA report, U. S. Bank has an excellent record of community development lending, issuing over $100 million in loans for affordable housing projects in the St. Louis metropolitan area.[47] The percentage of branches in low and moderate income areas is proportionate to LMI census tracts in the metropolitan area.[48] U. S. Bank had a relatively low percentage of high cost loans: of the 17 Hispanics and 35 Asians reported who originated loans with U. S. Bank, none received a high cost loan; 2.9% of white borrowers reported a high cost loan and 5.3% of African American borrowers reported a high cost loan. Information relating to CRA compliance is easy to locate on their website and includes their most recent CRA examination, information about branch locations, and more.

Areas for Improvement: Compared to other banks surveyed, U. S. Bank had a relatively low percentage of loans originated in low-income census tracts. U. S. Bank lent less money to low and moderate income census tracts as a percentage of all home loans than any other lender assessed.

V. Comparison Tables[49]

Table 1: Market Penetration by Race/Ethnicity of Borrower

Name	% of Applicants by Race/Ethnicity of Borrower				
	% White	% Black	%Asian	%Hispanic	%Other
Bank of America	64.75	18.33	2.50	2.03	14.42
Enterprise Bank & Trust	67.81	0.91	1.6	0.23	29.68
First Bank	71.39	7.66	0.95	0.7	20
Heartland Bank	77.15	5.42	1.48	0.52	15.95
Pulaski Bank	80.81	6.78	1.44	0.88	10.97
Regions Bank	79.25	9.28	1.1	0.68	10.38
Southwest Bank	43.08	5.66	5.01	2.14	46.24
US Bank	70.19	9.12	1.1	0.56	19.58
St. Louis MSA Population	78.25%	18.3	1.43	1.52	

Table 2: Percentage of Originations by Race/Ethnicity of Borrower

Name	% of Originations by Race/Ethnicity of Borrower				
	% White	% Black	%Asian	%Hispanic	%Other
Bank of America	67.71	16.32	1.95	1.70	14.02
Enterprise Bank & Trust	66.2	0.84	1.4	0	31.56
First Bank	74.8	3.49	0.45	0.89	21.27
Heartland Bank	78.44	4.04	0.73	0.64	16.79
Pulaski Bank	81.58	6.31	1.49	0.89	10.62
Regions Bank	85.95	6.27	0.95	0.71	6.83
Southwest Bank	42.07	3.93	5.11	2.23	48.89
US Bank	71.89	8.17	1.06	0.49	18.89
St. Louis MSA Population	78.25	18.3	1.43	1.52	

Table 3: Money Lent by Race/Ethnicity of Borrower

Name	% of Money Lent by Race/Ethnicity of Borrower				
	% White	% Black	%Asian	%Hispanic	%Other
Bank of America	66.72	11.66	2.62	1.41	19.00
Enterprise Bank & Trust	68.33	0.57	2.2	0	28.89
First Bank	73.01	4.29	0.38	0.75	22.33
Heartland Bank	81.03	3.54	0.94	0.47	14.5
Pulaski Bank	81.31	4.59	1.67	0.83	12.43
Regions Bank	87.44	5.34	1.39	0.56	5.84
Southwest Bank	49	3.43	1.88	6.41	41.15
US Bank	65.89	6.1	1.28	0.35	26.73

Table 4: Origination Rate by Race/Ethnicity of Borrower

Name	Origination Rate by Race/Ethnicity of Borrower					
	Overall Rate	White	Black	Asian	Hispanic	Other
Bank of America	62.05%	64.89%	55.26%	48.46%	52.13%	60.32%
Enterprise Bank & Trust	81.74%	79.80%	75.00%	71.43%	0.00%	86.92%
First Bank	70.82%	74.20%	32.23%	33.33%	90.91%	75.32%
Heartland Bank	80.86%	82.21%	60.27%	40.00%	100.00%	85.12%
Pulaski Bank	88.75%	89.60%	82.48%	92.31%	89.06%	85.89%
Regions Bank	53.57%	57.88%	36.07%	46.15%	56.25%	35.10%
Southwest Bank	70.84%	69.18%	49.18%	72.22%	73.91%	74.90%
US Bank	78.60%	80.50%	70.34%	75.44%	68.97%	75.81%
Average	73.40%	74.78%	57.60%	59.92%	66.40%	72.42%

Table 5: Denial Rate by Race/Ethnicity of Borrower

Name	Denial Rate by Race/Ethnicity of Borrower					
	Overall Rate	White	Black	Asian	Hispanic	Other
Bank of America	21.68%	18.77%	30.59%	25.77%	36.49%	22.70%
Enterprise Bank & Trust	5.02%	6.40%	25%	0%	100%	1.54%
First Bank	21.90%	17.82%	57.85%	53.33%	9.09%	21.20%
Heartland Bank	5.56%	3.65%	23.29%	10%	0%	8.37%
Pulaski Bank	2.22%	2.22%	4.68%	0.96%	1.56%	0.88%
Regions Bank	24.82%	21.27%	41.10%	23.08%	31.25%	37.55%
Southwest Bank	17.73%	18.10%	37.70%	18.52%	13.04%	15.46%
US Bank	10.05%	14.32%	18.22%	7.02%	6.90%	9.77%
Average	13.62%	12.82%	29.80%	17.34%	24.79%	14.68%

Table 6: Percentage of Loans in Low, Moderate, Middle and Upper Income Areas

Name	% of Loans by Income Characteristic of Census Tract			
	Low-Income	Moderate Income	Middle Income	Upper Income
Bank of America	4.65	22.70	46.35	26.30
Enterprise Bank & Trust	3.37	16.01	39.33	41.29
First Bank	2.12	11.59	65.44	20.85
Heartland Bank	1.68	13.47	49.58	35.27
Pulaski Bank	2.95	17.3	47.93	31.82
Regions Bank	2.01	16.25	59.38	22.36
Southwest Bank	8.04	22.65	36.86	32.44
US Bank	1.85	12.87	53.72	31.56

Table 7: Money Lent to Low, Moderate, Middle and Upper Income Areas

Name	% of Money Lent to Census Tracts by Income Characteristics			
	Low-Income	Moderate Income	Middle Income	Upper Income
Bank of America	3.19	15.02	41.27	40.52
Enterprise Bank & Trust	1.4	12.04	27.41	59.15
First Bank	1.21	14.67	55.8	28.32
Heartland Bank	1.28	7.87	47.77	43.08
Pulaski Bank	2.04	11.57	41.13	45.25
Regions Bank	0.95	10.3	57.94	30.81
Southwest Bank	4.19	15.81	30.55	49.45
US Bank	1.23	8.23	49.94	40.61

Table 8: Percentage of Loans to Minority Areas

Name	% of Loans by Racial Composition of Census Tract				
	<10% minority	10-19% minority	20-49% minority	50-79% minority	>80% minority
Bank of America	51.18	13.71	17.28	8.87	8.96
Enterprise Bank & Trust	59.55	15.45	14.89	6.74	3.37
First Bank	69.57	14.6	8.58	3.34	3.9
Heartland Bank	66.42	10.91	12.97	4.01	5.69
Pulaski Bank	59.45	14.71	15.43	6.15	4.26
Regions Bank	58.33	20.84	14.73	4.02	2.09
Southwest Bank	48.93	11.13	20.38	10.46	9.12
US Bank	66.77	13.85	11.51	4.69	3.18

Table 9: Money Lent to Minority Areas

Name	% of Money Lent to Census Tracts by Racial Composition				
	<10% minority	10-19% minority	20-49% minority	50-79% minority	>80% minority
Bank of America	57.53	14.67	15.91	7.12	4.76
Enterprise Bank & Trust	61.26	15.92	13.53	8.17	1.13
First Bank	69.25	11.74	7.29	9.42	2.3
Heartland Bank	70.51	11.09	13.46	3.11	1.83
Pulaski Bank	64.02	15	13.59	5.39	2
Regions Bank	64.23	18.8	12.3	3.49	1.18
Southwest Bank	55.61	16.12	13.93	7.04	7.31
US Bank	68.89	13.89	11.05	4.54	1.64

Table 10: Bank of America High Cost Loans by Race/Ethnicity of Borrower

% High Cost Loans by Race					
Whites	Blacks	Hispanics	Asians	Other	
5.26%	0.00%	N/A	N/A	0.00%	Table 11.1
3.92%	11.21%	0.00%	1.43%	1.88%	Table 11.3 Conventional Home Purchase First Lien
14.70%	37.89%	14.29%	0.00%	4.26%	Table 11.4 Conventional Home Purchase Junior Lien
5.79%	7.91%	5.00%	0.00%	4.56%	Table 11.7 Refi First Lien
13.64%	15.00%	0.00%	0.00%	10.94%	Table 11.8 Refi Junior Lien
8.50%	9.09%	0.00%	0.00%	25.00%	Table 11.9 Home Improvement First Lien
19.70%	12.50%	N/A	0.00%	27.50%	Table 11.10 Home Improvement Junior Lien

Table 11: Enterprise Bank & Trust High Cost Loans by Race/Ethnicity of Borrower

% High Cost Loans by Race					
Whites	Blacks	Hispanics	Asians	Other	
2.74%	33.33%	N/A	N/A	0.00%	Table 11.3 Conventional Home Purchase First Lien
14.29%	N/A	N/A	N/A	0.00%	Table 11.4 Conventional Home Purchase Junior Lien
3.03%	N/A	N/A	0.00%	0.00%	Table 11.7 Refi First Lien
0.00%	N/A	N/A	N/A	100.00%	Table 11.9 Home Improvement First Lien

Table 12: First Bank High Cost Loans by Race/Ethnicity of Borrower

% High Cost Loans by Race					
Whites	Blacks	Hispanics	Asians	Other	
8.33%	N/A	N/A	N/A	N/A	Table 11.1
5.50%	25.00%	0.00%	N/A	0.00%	Table 11.3 Conventional Home Purchase First Lien
28.57%	100.00%	N/A	N/A	25.00%	Table 11.4 Conventional Home Purchase Junior Lien
7.24%	25.00%	0.00%	100.00%	45.00%	Table 11.7 Refi First Lien
20.83%	66.67%	N/A	N/A	13.33%	Table 11.8 Refi Junior Lien
11.86%	100.00%	N/A	N/A	25.00%	Table 11.9 Home Improvement First Lien
2.27%	0.00%	N/A	N/A	0.00%	Table 11.10 Home Impovement Junior Lien

Table 13: Heartland Bank High Cost Loans by Race/Ethnicity of Borrower

% High Cost Loans by Race					
Whites	Blacks	Hispanics	Asians	Other	
0.00%	18.75%	0.00%	0.00%	20.00%	Table 11.3 Conventional Home Purchase First Lien
3.07%	37.50%	0.00%	0.00%	0.00%	Table 11.7 Refi First Lien

Table 14: Pulaski Bank High Cost Loans by Race/Ethnicity of Borrower

% High Cost Loans by Race					
Whites	Blacks	Hispanics	Asians	Other	
4.45%	17.86%	0.00%	9.09%	3.55%	Table 11.3 Conventional Home Purchase First Lien
6.07%	5.26%	33.33%	15.38%	13.33%	Table 11.4 Conventional Home Purchase Junior Lien
4.94%	19.05%	16.67%	0.00%	5.56%	Table 11.7 Refi First Lien

Table 15: Regions Bank High Cost Loans by Race/Ethnicity of Borrower

% High Cost Loans by Race					
Whites	Blacks	Hispanics	Asians	Other	
7.14%	18.18%	0.00%	25.00%	7.69%	Table 11.3 Conventional Home Purchase First Lien
0.00%	50.00%	N/A	N/A	0.00%	Table 11.4 Conventional Home Purchase Junior Lien
7.96%	18.18%	33.33%	0.00%	0.00%	Table 11.7 Refi First Lien
10.17%	40.00%	0.00%	N/A	0.00%	Table 11.8 Refi Junior Lien
7.69%	60.00%	N/A	N/A	N/A	Table 11.9 Home Improvement First Lien
8.11%	0.00%	N/A	N/A	31.25%	Table 11.10 Home Improvement Junior Lien

Table 16: Southwest Bank High Cost Loans by Race/Ethnicity of Borrower

% High Cost Loans by Race					
Whites	Blacks	Hispanics	Asians	Other	
11.58%	0.00%	14.29%	16.67%	23.08%	Table 11.3 Conventional Home Purchase First Lien
2.38%	0.00%	N/A	0.00%	15.38%	Table 11.7 Refi First Lien
14.29%	50.00%	N/A	N/A	50.00%	Table 11.9 Home Improvement First Lien

Table 17: US Bank High Cost Loans by Race/Ethnicity of Borrower

% High Cost Loans by Race					
Whites	Blacks	Hispanics	Asians	Other	
2.75%	6.45%	N/A	N/A	0.00%	Table 11.1
2.62%	3.57%	0.00%	0.00%	2.54%	Table 11.3 Conventional Home Purchase First Lien
4.83%	14.29%	0.00%	0.00%	1.67%	Table 11.4 Conventional Home Purchase Junior Lien
7.47%	8.70%	0.00%	0.00%	6.67%	Table 11.5
1.51%	3.28%	0.00%	0.00%	0.53%	Table 11.7 Refi First Lien
6.25%	0.00%	N/A	N/A	0.00%	Table 11.8 Refi Junior Lien

VI. Rankings

Ranking in Lending to Minorities (from best lending practices to worst)

1. Southwest Bank
2. Bank of America
3. Pulaski Bank
4. U. S. Bank
5. First Bank
6. Heartland Bank
7. Regions Bank
8. Enterprise Bank

Ranking in Lending to Low & Moderate Income Areas (from best lending practices to worst)

1. Southwest Bank
2. Bank of America
3. Pulaski Bank
4. Enterprise Bank
5. First Bank
6. Regions Bank
7. U. S. Bank
   Heartland Bank

Overall Ranking (from best lending practices to worst)

1. Southwest Bank
2. Bank of America
3. Pulaski Bank
4. U. S. Bank
5. Enterprise Bank
6. First Bank
7. Regions Bank
8. Heartland Bank

VII. Recommendations

The Metropolitan St. Louis Equal Housing Opportunity Council (EHOC) recommends:

- The House Financial Services Committee should commence hearings to examine whether banks receiving funds through the Capitol Purchase Program are using the funds to "affirmatively further fair housing" and are adhering to their responsibilities under the Fair Housing Act, Community Reinvestment Act and Equal Credit Opportunity Act. Regions Bank, which has already been awarded $3.5 billion from the Capital Purchase Program, should specifically be examined for its disparity rates between African American and white borrowers: in origination rates, denial rates, and interest rates and for its low volume of lending in African American neighborhoods in the St. Louis metropolitan area. It should also be examined for its lack of branches in low-income neighborhoods and low volume of lending to these neighborhoods in the St. Louis metropolitan area.

- Applications from Enterprise Bank & Trust, First Bank and Heartland Bank for funds through the Capital Purchase Program should be disapproved until the lenders adopt an affirmative fair lending plan and community partnership agreements that demonstrate their commitment to fair lending and community reinvestment. Community organizations including the Metropolitan St. Louis Equal Housing Opportunity Council are willing to work with these lenders to build on their strengths and to help identify ways to improve their performance in areas identified as weak.

- The Treasury Department's TARP should issue a statement that banks participating in this program are subject to the requirement to "affirmatively further fair housing."

- All lenders participating in the Capital Purchase Program should address the Areas for Improvement in an Affirmative Fair Lending plan to demonstrate how they are using the funds through the Capitol Purchase Program to further fair housing. Community organizations including the Metropolitan St. Louis Equal Housing Opportunity Council are willing to work with area lenders to develop affirmative fair lending plans to build on their strengths and identify ways to improve their performance in areas identified as weak.

- The 111th Congress should pass the CRA Modernization Act which would require bank regulators (FDIC, FRB, OCC and OTS) to explicitly evaluate lending to minorities and minority neighborhoods.

Notes

[1] Center for Community Change, "Risk or Race? Racial Disparities and the Subprime Refinance Market, May 2002, p. vii (http://www.knowledgeplex.org/kp/report/report/relfiles/ccc_0729_risk.pdf)
[2] National Community Reinvestment Coalition, Myths & Facts on the CRA, http://www.ncrc.org/index.php?option=com_content&task=view&id=353&Itemid=80
[3] Traiger & Hinckley, "The Community Reinvestment Act: A Welcome Anamoly in the Foreclosure Crisis," January 2008. http://www.traigerlaw.com/publications/traiger_hinckley_llp_cra_foreclosure_study_1-7-08.pdf
[4] Unequal Burden: Income and Racial Disparities in Subprime Lending in America, April 2000, http://www.huduser.org/publications/fairhsg/unequal.html
[5] US Treasury, Capital Purchase Program Transaction Report, December 9, 2008, http://www.treasury.gov/initiatives/eesa/docs/CPPTransaction%20ReportDec%209.pdf
[6] Gallagher, Jim, "St. Louis Banks Mull Treasury Bailout," St. Louis Post-Dispatch, November 16, 2008.
[7] Ibid
[8] Ibid
[9] Ibid
[10] US Treasury, Capital Purchase Program Transaction Report, December 9, 2008.
[11] Ibid
[12] Ibid
[13]Executive Order 12892, http://www.hud.gov/offices/fheo/FHLaws/EXO12892.cfm; also the Housing & Community Development Act of 1974 requires that recipients of federal funds "affirmatively further fair housing."
[14] http://www.occ.treas.gov/ftp/craeval/Jun08/13044.pdf p. 76
[15] Ibid
[16] Ibid
[17] http://www.occ.treas.gov/ftp/craeval/Jun08/13044.pdf p. 77
[18] 2007 Annual Report, p. 2. http://www2.snl.com/Cache/5862884.PDF?D=&o=PDF&iid=1024631&osid=9&Y=&T=&fid=5862884
[19] http://www2.fdic.gov/crapes/2007/27237_070305.pdf p. 15
[20] www.firstbank.com/About_Us
[21] http://www.stlouisfed.org/cra_pes/2006/169653.pdf, Note that while the overall St. Louis ratings on p. 26 state that the bank received a "High Satisfactory" on its lending test, this information contradicts the rating on p. 31 of the report.
[22] http://www.stlouisfed.org/cra_pes/2006/169653.pdf, p. 30
[23] http://www.firstbanks.com/About_Us/Community_Involvement/

[24] http://files.ots.treas.gov/cra/CRAE_02165_20080617_59.rtf p. 2
[25] http://files.ots.treas.gov/cra/CRAE_02165_20080617_59.rtf, p. 2
[26] http://files.ots.treas.gov/cra/CRAE_02165_20080617_59.rtf p. 3
[27] http://files.ots.treas.gov/cra/CRAE_02165_20080617_59.rtf p. 2
[28] http://files.ots.treas.gov/cra/CRAE_02165_20080617_59.rtf p. 9
[29] http://files.ots.treas.gov/cra/CRAE_02165_20080617_59.rtf p. 7
[30] This report examined the non-institutionalized population only in Census Tract 2165, which was 1.54% African American.
[31] http://files.ots.treas.gov/cra/CRAE_05106_20071228_64.rtf
[32] http://files.ots.treas.gov/cra/CRAE_05106_20071228_64.rtf
[33] http://files.ots.treas.gov/cra/CRAE_05106_20071228_64.rtf
[34] http://files.ots.treas.gov/cra/CRAE_05106_20071228_64.rtf
[35] http://files.ots.treas.gov/cra/CRAE_05106_20071228_64.rtf
[36] Ibid
[37] Ibid
[38] Heidi Kaplan, Senior Community Affairs Analyst, Board of Governors of the Federal Reserve System email on 12/17/08 stating that Regions Bank was reviewed Q1 2008 and it takes 6 – 9 months for reports to be made public.
[39] http://www.regions.com/about_regions/IR_community_development_news_release.html
[40] http://www.occ.treas.gov/ftp/craeval/Feb05/13349.pdf Table 15
[41] http://www.stlouisfed.org/cra_pes/2008/543253CRA.pdf p. 3
[42] http://www.stlouisfed.org/cra_pes/2008/543253CRA.pdf p. 3
[43] http://www.usbank.com/about/community_relations/pdf/U.S._Bank_2005.pdf p. 25
[44] http://www.usbank.com/about/community_relations/pdf/U.S._Bank_2005.pdf p. 25
[45] http://www.usbank.com/about/community_relations/pdf/U.S._Bank_2005.pdf p. 25
[46] http://www.usbank.com/about/community_relations/pdf/U.S._Bank_2005.pdf p. 13
[47] http://www.usbank.com/about/community_relations/pdf/U.S._Bank_2005.pdf p. 26
[48] http://www.usbank.com/about/community_relations/pdf/U.S._Bank_2005.pdf p. 26
[49] The areas highlighted with light yellow have the lowest ranking in the performance measure analyzed, while the areas highlighted with dark blue have the highest ranking in the performance measure analyzed. Note that in Tables 4 and 5, lenders are ranked by the disparity between minority origination/denial rates and white origination/denial rates, and not by the overall percentage of originations and denials. Rankings for moderate income loans in Tables 6 and 7 incorporate both lending in low income and moderate income census tracts. Rankings for loans in >50% African American census tracts in Tables 8 and 9 incorporate loans in >80% African American census tracts.