

St. Louis Equal Housing and Community Reinvestment Alliance

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

MEMBER ORGANIZATIONS

March 14, 2012

Center for the
Acceleration of
African American
Business

Jeff Legette
Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, MO 64198-0001

Community Action
Agency of St. Louis
County

Via email: Jeff.legette@kc.frb.org

RE: CRA performance evaluation of Commerce Bank, N.A.

Community Resource
and Development
Organization

Dear Mr. Legette:

Consumers Council of
Missouri

The St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) would like to provide public comments regarding Commerce Bank, N.A. pursuant to the Community Reinvestment Act (CRA) and the bank's performance evaluation scheduled for this present quarter. SLEHCRA is a coalition working to increase investment in low-income and minority communities by ensuring that banks are meeting their obligations under the CRA and fair lending laws. We regularly review banks operating in the St. Louis metropolitan area for CRA and fair lending performance. We provide public comment letters detailing any concerns or highlighting positive performance to be considered by regulators in applications or CRA performance evaluations. All of our summary reports and public comment letters are posted on our website, www.slehkra.org.

Citizens Coalition to
Fight Eminent
Domain Abuse

Justine Petersen

Lemay Housing
Partnership

Metropolitan St.
Louis Equal Housing
and Opportunity
Council

Commerce Bank is one of the largest financial institutions in the St. Louis metropolitan area, and has consistently been recognized as a leader in community development and CRA performance. They have a large presence throughout the metro area, including areas that many banks have avoided such as lower-income areas, predominately minority areas, and the City of St. Louis.

Missourians
Organizing for
Reform and
Empowerment

However, we have some concerns with Commerce Bank's performance in serving low-income and minority communities that we urge the Federal Reserve to consider. We have concerns with lending to low-income borrowers and disparities in lending between African-American borrowers and white borrowers. We also believe that Commerce Bank can better serve low- and moderate- income borrowers and minority borrowers by increasing market penetration within those communities.

MoKan

NAACP St. Louis

North County
Churches Uniting for
Racial Harmony and
Justice

We have some concerns with Commerce Bank's CRA performance based on mortgage lending to low- and moderate- income borrowers and geographies. We believe Commerce Bank has opportunities to expand and improve their record of lending to these individuals and communities.

Ready, Aim,
Advocate! Committee

Based on Home Mortgage Disclosure Act (HMDA) data in the St. Louis metropolitan area from 2008 to 2010, Commerce Bank originated 11.14 percent of loans to low-income borrowers and 18.50 percent of loans to moderate-income borrowers.

St. Louis Community
Land Trust

Comparatively, the aggregate lenders originated 8.27 percent of loans to low-income borrowers and 18.93 percent to moderate-income borrowers. We commend the bank's market penetration to low-income borrowers, as it is above the aggregate lending levels. However, 19.23 percent of families within the metropolitan area are considered low-income, according to Census data. Commerce Bank's lending to moderate-income

Union Sarah
Community
Corporation

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borrowers is slightly below the aggregate lending, but also reflective of the demographics of the area as 17.95 percent of families are considered moderate-income, according to the Census. We urge Commerce Bank to develop additional strategies to better serve low-income borrowers.

We also have concerns with the high proportion of low-income borrowers that were denied loans. According to the HMDA data, over the last three years 50 percent of low-income applicants were denied compared to an overall denial rate of 29.18 percent. We certainly understand the limitations of HMDA data in providing credit worthiness information about borrowers and the factors of a credit decision. We also understand that low-income borrowers are overall more likely to be denied mortgage loans. However, we are concerned that Commerce Bank has such a noticeably high denial rate for low-income borrowers. We believe this indicates a need to provide better services specifically for low-income borrowers. Considering the significant volume of applications from those borrowers, Commerce Bank has the opportunity to provide products and services that meet the needs of low-income borrowers. We believe Commerce Bank can be more innovative in effectively serving low-income borrowers.

Commerce Bank's record of lending to low- and moderate-income geographies is slightly higher than the aggregate lending performance although below the percentage of census tracts within their market area. According to HMDA, the bank originated 1.29 percent of loans to low-income census tracts and 11.87 percent to moderate-income census tracts. In comparison, the aggregate originated 1.03 percent to low-income census tracts and 10.16 moderate-income census tracts. Commerce Bank could improve lending to low- and moderate-income geographies as the percent of housing units within those census tracts is above their record of lending. According to Census, 3.29 percent of owner-occupied housing units are within low-income census tracts and 17.20 percent of housing units are within moderate-income census tracts in Commerce Bank's market area. We encourage Commerce Bank to continue providing services to low- and moderate- income geographies and to develop additional strategies for reaching out into these communities.

We have additional concerns with Commerce Bank's fair lending performance based on mortgage lending disparities to minority borrowers. We ask the Federal Reserve to conduct a thorough fair lending investigation and to look closely at disparities between minority borrowers and white borrowers.

We are concerned with Commerce Bank's high denial rates to minority borrowers and communities. According to HMDA data from 2008 to 2010, African-American borrowers were 2.38 times more likely to be denied than white borrowers. Over the last three years, 60.64 percent of applications from African-American borrowers were denied compared to only 25.51 percent of applications from white borrowers. This high disparity in denial rates has been consistent in each of the last three years. There also are high denial rates for Asian borrowers and Hispanic borrowers. From 2008 to 2010, 41.67 percent of applications from Asian borrowers were denied and 40.85 percent of applications from Hispanic borrowers were denied. Similarly, there are high denial rates for loans to predominately minority communities. Over the last three years, 65.49 percent of applications for properties with over 80 percent minority population were denied. Comparatively, 29.18 percent of all loan applications were denied over the last three years.

Of course, the publicly-available HMDA data is limited in providing complete and accurate information about fair lending and credit decisions. We certainly understand those limitations as the data does not show credit scores, debt to income ratios, or other factors considered in the underwriting criteria. However, we always become concerned when there are consistently high disparities in denial rates between minority borrowers and white borrowers. The high denial rates and high disparities in Commerce Bank's lending performance are particularly concerning, and we urge the Federal Reserve to investigate more thoroughly as part of the fair lending evaluation.

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We also have concerns with disparities in high cost loans to minority borrowers. According to HMDA data in 2008, African-American borrowers were 2.06 times more likely to receive a high cost loan than white borrowers. In 2009, that disparity increased so African-American borrowers were 2.81 times more likely to receive high cost loans than white borrowers. There were no high cost loans reported in 2010. Over 2008 and 2009, 34.21 percent of loans originated to African-American borrowers were high cost loans. Additionally, 17.39 percent of loans originated to Asian borrowers and 25 percent of loans to Hispanic borrowers were reported high cost loans. Comparatively, only 14.30 percent of loans originated to white borrowers were high cost and 14.43 percent of all total originated loans were reported high cost over those two years.

Again, we understand the HMDA data on loan pricing is very limited and does not provide any creditworthiness information. However, we always become concerned when there are disparities in high cost loans between minority borrowers and white borrowers. We urge the Federal Reserve to further investigate Commerce Bank's loan pricing process, especially during the years 2008 and 2009, as part of the bank's fair lending investigation.

We believe Commerce Bank has room to improve their record of lending to minority borrowers. According to HMDA data from 2008 to 2010, Commerce Bank originated 4.51 percent of loans to African-American borrowers, 1.18 percent to Asian borrowers, and 1.36 percent to Hispanic borrowers. Comparatively, the aggregate lenders originated 4.94 percent of loans to African-American borrowers, 1.68 percent to Asian borrowers, and 0.86 percent to Hispanic borrowers. We acknowledge Commerce Bank's record of lending to Hispanic borrowers as above average and lending to African-American borrowers as similar to the aggregate lending. However, Commerce Bank needs to improve their market penetration to minority communities considering the demographics of their service area. According to Census 2010, African-Americans represent 20.7 percent, Asians represent 2.4 percent, and Hispanics represent 2.7 percent of the population within Commerce Bank's St. Louis market area.

The gap between levels of loan originations and population demographics indicates that all lenders need to improve the aggregate lending record to provide better access to credit for African-American and other minorities. This improvement must come from financial institutions taking leadership in providing tailored products and services specific to the needs of these communities. There is a huge need for basic financial products and outreach to communities primarily relying on wealth-stripping alternatives like payday lenders and check cashers. According to the 2009 FDIC National Survey of Unbanked and Underbanked Households, 31 percent of African-American households within the St. Louis metro area are unbanked, meaning they don't have a checking account, and 34 percent of African-American households are underbanked, meaning they primarily use alternative financial services like check cashers, title loans, and payday loans.¹ The St. Louis metro area has the highest percentage of unbanked and underbanked African-American households in the country and the largest disparity between unbanked / underbanked African-American and white households. We need leading financial institutions, like Commerce Bank, to actively participate in changing this trend.

We believe Commerce Bank has the opportunity to be a leader in providing affirmative services to lower income and minority communities. With the bank's branch locations and community presence, Commerce Bank has ample opportunities to be more active and innovative. Based on current performance, the bank should be doing more in order to earn their Outstanding rating.

It is our desire as a coalition to find ways to partner together with banks to increase financial resources and opportunities within our shared community. We would like to see Commerce Bank make

¹ 2009 FDIC National Survey of Unbanked and Underbanked Households. www.economicinclusion.gov

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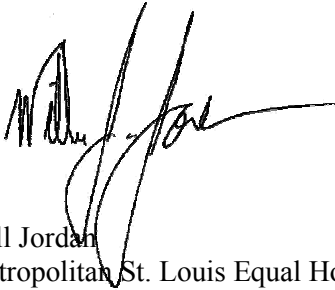
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commitments to increase market penetration within lower income and minority communities, develop checking and savings accounts tailored for unbanked / underbanked individuals, develop loan products that consider specific needs of unbanked / underbanked individuals, and work more proactively to outreach in lower income and minority communities. We hope to continue this dialogue with Commerce Bank so that we can develop action plans and strategies. We believe our partnership will help increase the bank's business and provide more service to communities in need of safe and sound banking services.

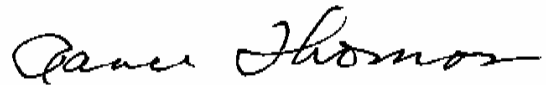
We ask the Federal Reserve to consider these comments regarding Commerce Bank and the overall needs of the community in the bank's present CRA evaluation. We urge the Federal Reserve to look closely at Commerce Bank's fair lending performance based on our concerns with high denial rates and high cost loan disparities between minority borrowers and white borrowers. We also ask for a close review of performance in serving low- and moderate-income borrowers and communities given the high need for mainstream banking services. We believe all banks, particularly Commerce Bank, should be held to a high standard in providing services to low- and moderate-income communities and minority communities. We hope the Federal Reserve applies that high standard and acknowledges the need for Commerce Bank to improve their service within our community.

Thank you for the opportunity to provide comments.

Sincerely,



Will Jordan
Metropolitan St. Louis Equal Housing and
Opportunity Council (EHOC)



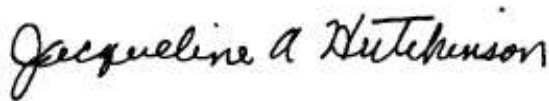
Rance Thomas
North County Churches Uniting for Racial
Harmony and Justice



Adolphus Pruitt
NAACP St. Louis



Lynn Oldham
Missourians Organizing for Reform and
Empowerment (MORE)



Jackie Hutchinson
Consumers Council of Missouri



Rose Eichelberger
Ready! Aim! Advocate! Committee

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Lucille Walton
Community Resource and Development
Organization (CRADO)



Yaphett El-Amin
MoKan

cc: Laura Gilbert
Vice President
Community Development
Commerce Bank
8000 Forsyth Blvd.
St. Louis, MO 63105
Via laura.gilbert@commercebank.com