

St. Louis Equal Housing and Community Reinvestment Alliance

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

October 15, 2013

Member Organizations

Coalition of
Concerned Citizens,
Alton Area

Center for the
Acceleration of
African American
Business

Community Action
Agency of St. Louis
County

Community Resource
and Development
Organization

Consumers Council of
Missouri

Justine Petersen

Lemay Housing
Partnership

Metropolitan St.
Louis Equal Housing
& Opportunity
Council

Missourians
Organizing for
Reform and
Empowerment

MoKan

NAACP St. Louis

North County
Churches Uniting for
Racial Harmony and
Justice

Ready, Aim,
Advocate! Committee

Yvonne Sparks
Community Development Officer
Federal Reserve Bank of St. Louis
P.O. Box 442

St. Louis, MO 63166

Via email: yvonne.s.sparks@stls.frb.org

RE: CRA Performance Evaluation of Midland States Bank, Effingham, Illinois.

Dear Ms. Sparks:

The St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) would like to offer public comments regarding Midland States Bank, of Effingham, Illinois, pursuant to the Community Reinvestment Act (CRA). Midland States Bank is scheduled for a CRA performance evaluation in the fourth quarter of 2013.

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 CRA and fair lending laws. We have some serious concerns with Midland States Bank CRA and fair lending performance based on branch locations and home mortgage lending. Specifically, we are concerned with the bank's low level of lending to low-income borrowers and communities in the St. Louis market and in other Illinois market areas. We also are seriously concerned with the bank's extremely low market penetration to African-American borrowers in their St. Louis market, as well as in other market areas across Illinois. We urge the Federal Reserve to consider these concerns in the bank's upcoming CRA exam and to conduct a thorough fair lending investigation. Our concerns are detailed in depth below.

1. Concerns with Lending to Low-Income Borrowers and Communities

We are concerned that Midland States Bank is not adequately meeting the needs of low-income borrowers or communities. According to the Home Mortgage Disclosure Act (HMDA) data, Midland States Bank is not adequately lending to low-income borrowers or communities in the bank's St. Louis market and in the bank's Illinois markets, including central, northern and Champaign, Illinois assessment areas.

In the St. Louis market, the bank's level of mortgage lending to low-income borrowers is below the aggregate lending and the demographics over the last two years. According to HMDA data from 2012, the bank originated 6.5 percent of loans to low-income borrowers within their St. Louis assessment area. In 2011, the bank originated 6 percent of loans to low-income borrowers. Comparatively, the aggregate lenders originated 7.8 percent of loans to low-income borrowers in 2011. According to census 2010, 24.5 percent of households within the St. Louis assessment area are considered low-income.

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The bank's level of lending to moderate-income borrowers is good, as it is above the aggregate lending and the demographics of the St. Louis assessment area. The bank originated 17.9 percent of loans in 2012 and 19.4 percent of loans in 2011 to moderate-income borrowers. Comparatively, the aggregate lending originated 17.3 percent of loans to moderate-income borrowers. Moderate-income households represent 15.8 percent of the population. We recognize the bank's lending to moderate-income borrowers, but we are concerned that the bank is not adequately serving low-income households in the St. Louis market area.

Lending to low-income census tracts within the bank's St. Louis assessment area is also lower than the aggregate lending and the demographics of the community. In 2012, Midland States Bank originated 1.3 percent of loans to low-income tracts. The bank did not originate any loans to low-income tracts in 2011. According to Census 2010, the bank's assessment area in St. Louis consists of 14.5 percent low-income tracts. Owner occupied housing units within those low-income tracts represent 5.5 percent of housing units throughout the assessment area. The aggregate lending originated 0.8 percent of loans in low-income tracts.

The bank's lending to moderate-income census tracts in St. Louis is also below the demographics of the community and has been declining over the last three years. In 2012, lending to moderate-income tracts represented 9.77 percent of loans. Lending to moderate-income tracts represented 10.9 percent of loans in 2011 and 14.3 percent of loans in 2010. We are concerned with the decline in lending to moderate-income tracts. Within the St. Louis assessment area, 19.7 percent of census tracts are considered moderate-income and contain 16.5 percent of the owner occupied housing units in the entire area.

We are also concerned with Midland States Bank home mortgage lending to low-income borrowers in the bank's Illinois markets in Central, Northern, and Champaign County, Illinois, based on HMDA data in the last two years. In the bank's Central Illinois assessment area, Midland States Bank originated 7.7 percent of mortgage loans to low-income borrowers in 2012. In 2011, the bank originated 9.2 percent of loans to low-income borrowers. Comparatively, 24.3 percent of households in the Central Illinois assessment area are considered low-income according to Census 2010. Similarly, mortgage lending to low-income borrowers in the bank's Northern Illinois assessment area is below the demographics of the community. In 2012, the bank originated 7.6 percent of mortgage loans to low-income borrowers. In 2011, the bank originated 9.4 percent of loans to low-income borrowers. Comparatively, 19.5 percent of households are considered low-income in the bank's Northern Illinois assessment area. In Champaign County, Illinois, the bank's home mortgage lending has dramatically increased in volume as of 2012 HMDA data. In 2012, the bank originated 265 mortgage loans in Champaign County, of which 7.5 percent were originated to low-income borrowers. According to the Census 2010, 27.5 percent of households in Champaign County are considered low-income.

Lending to moderate-income borrowers is good in each of these assessment areas. In the bank's Central, Northern, and Champaign County, Illinois assessment areas, loan originations to moderate-income borrowers is similar to or above the percentage of moderate-income households in the community. We recognize the bank's good market penetration to moderate-income households, yet are concerned that the bank is failing to adequately serve low-income households throughout their Illinois market areas.

Additionally, Midland States Bank CRA performance exam in August 2011 notes the bank's poor penetration of mortgage lending to low-income borrowers and to low-income census tracts considering

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the demographics of the St. Louis assessment area, as well as in their central Illinois and northern Illinois assessment areas. The exam notes that lending to low-income borrowers in central and northern Illinois is well below the low-income family population percentage. Although the exam considered the bank's lending reasonable, we are concerned with the continuation of low performance in serving low-income families across multiple assessment areas. We urge the bank to develop strategies that will increase market penetration to low-income families in the St. Louis market area, as well across their Illinois market areas. We ask the Federal Reserve to consider our concerns in the bank's current CRA exam.

2. Fair Lending Concerns with Market Penetration to Minority Borrowers

We also have serious fair lending concerns regarding Midland States Bank's market penetration to minority borrowers. According to the bank's HMDA data over the last three years, the bank has extremely low market penetration to minority borrowers, particularly African-American, Hispanic and Asian borrowers, in the bank's St. Louis assessment area. We also have concerns with low market penetration to African-Americans and Hispanics in the bank's other Illinois market areas.

In the bank's St. Louis assessment area in 2012, the bank only received 3 loan applications from African-American borrowers, which represents 0.7 percent of a total of 431 loan applications in 2012. The bank originated all 3 loans to African-American borrowers, but the lack of black applications in the St. Louis area is a serious concern. In 2011, the bank did not receive or originate a single loan application from an African-American borrower, out of a total of 320 loan applications. In 2010, the bank also did not originate a single loan to an African-American borrower according to HMDA data. The bank did report 2 loan applications from African-American borrowers in 2010, which represents 0.6 percent of 349 total loan applications. The bank's extremely low market penetration to African-Americans is a serious concern in the St. Louis area.

In total from 2010 to 2012, Midland States Bank reports 1,100 loan applications in the St. Louis assessment area. African-Americans represent 0.45 percent with only 5 applications. This is a startling low level of market penetration to African-American borrowers considering the demographics of the bank's St. Louis assessment area and the aggregate lending levels. In 2011, the aggregate lenders in the bank's assessment area originated 4.5 percent of loans to black borrowers. In 2010, the aggregate reported 4.4 percent of loans originated to black borrowers. According to Census 2010, black households represent 20.7 percent of households within the bank's St. Louis assessment area. We are seriously concerned that the bank is failing to serve African-American borrowers in the St. Louis area.

The bank's low market penetration to Hispanic and Asian borrowers is also low in the St. Louis market area. In 2012, the bank originated 2 loans to Hispanic borrowers and 1 loan to an Asian borrower, representing 0.65 percent and 0.33 percent of total borrowers, respectively. In 2011, 2 loans originated to Hispanic borrowers, representing 1 percent of borrowers, and 1 loan originated to an Asian borrower, representing 0.5 percent of borrowers. In 2010, one loan originated to Hispanic borrower, representing 0.4 percent, and 2 loans originated to Asian borrowers, representing 0.7 percent. In total from 2010 to 2012, the bank originated 0.63 percent of loans to Hispanic borrowers and 0.51 percent of loans to Asian borrowers. Over those three years, the bank reported only 0.63 percent of applications from Hispanic borrowers and 0.82 percent of applications from Asian borrowers. Comparatively, the household population in the St. Louis market area consists of 1.9 percent Hispanic households and 2.1 percent Asian

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households. In 2011 and 2010, the aggregate lenders originated 1.1 percent of loans to Hispanic borrowers and 2.3 percent of loans to Asian borrowers. We are concerned that Midland States Bank is not adequately serving Hispanic and Asian borrowers in the St. Louis market area based on low market penetration to those minority borrowers.

Midland States Bank market penetration to African-Americans and Hispanics in the bank's other Illinois market areas is also extremely low compared to aggregate lending and the demographics of those communities.

In the bank's Central Illinois assessment area, the bank originated a total of 365 loans in 2012, of which 3 originated to black borrowers and 1 to a Hispanic borrower. This represents 0.8 percent of loans to black borrowers and 0.3 percent to Hispanic borrowers. In 2011, the bank originated 1 loan, or 0.5 percent, to a black borrower, and 2 loans, or 0.9 percent, to Hispanic borrowers. In 2010, the bank originated 1 loan, or 0.3 percent, to black borrowers and 1 loan, or 0.3 percent, to Hispanic borrowers. In total, from 2010 to 2012, Midland States Bank originated 885 loans in Central Illinois, with 0.56 percent originated to black borrowers and 0.45 percent originated to Hispanic borrowers. Comparatively, black households represent 1.8 percent of all households and Hispanics represent 1.1 percent of households within the 13 county assessment area in central Illinois. The aggregate originated 0.5 percent of loans to black borrowers and 0.7 percent of loans to Hispanic borrowers in 2011. We are concerned with the bank's low market penetration to African-American and Hispanic borrowers in Midland States Bank's central Illinois service area.

Midland States Bank's lending to African-Americans in the northern Illinois assessment also is extremely low compared to the demographics of the community. In 2012, the bank did not originate any loans to black borrowers out of a total 288 loan originations. In 2011, the bank originated 2 loans, or 0.8 percent, to black borrowers. In 2010, zero loans originated to black borrowers out of 202 total loans. The aggregate lending originated 0.7 percent of loans in 2011 and 0.3 percent of loans in 2010 to black borrowers. Considering that black households represent 1.8 percent of all households in the bank's assessment area, we are concerned with the bank's extremely low market penetration to African-Americans in the Northern Illinois market area.

Interestingly, the bank's lending to Hispanic borrowers in the northern Illinois area is excellent. In the last three years, the bank's lending to Hispanic borrowers has increased and is above the aggregate level of lending and the household demographics. In 2012, the bank originated 7.29 percent of loans to Hispanic borrowers. The bank originated 7 percent of loans in 2011 and 4.5 percent of loans in 2010 to Hispanic borrowers. According to Census 2010, Hispanic households represent 4.9 percent of households in the bank's assessment area. The aggregate originated 3.2 percent of loans to Hispanics in 2011 and 2.5 percent of loans in 2010. We recognize the bank's work in serving the Hispanic community in northern Illinois market area. However, we remain concerned with how the bank appears to be serving African-Americans in northern Illinois.

The bank's lending in Champaign County, Illinois is also extremely limited in lending to African-American and Hispanic borrowers. The volume of loans increased substantially over the last year, with 265 loan originations in 2012 compared to 27 loans in 2011 and 39 loans in 2010. But, the bank's market

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penetration to black and Hispanic borrowers is far under the aggregate lending and the population demographics. In 2012, the bank originated 1.5 percent of loans to black borrowers and 0.75 percent of loans to Hispanic borrowers. In 2011 and 2010 the bank did not originate any loans to black borrowers. The bank originated 1 loan in 2011 and zero loans in 2010 to Hispanic borrowers. Comparatively, in 2011 the aggregate originated 3.2 percent of loans to black borrowers and 1.70 percent of loans to Hispanic borrowers. Black households represent 11.2 percent of households and Hispanics represent 3.7 percent of households in Champaign County, Illinois. We are concerned that Midland States Bank is not adequately serving African-American and Hispanic borrowers in Champaign County, Illinois.

Based on the analysis of HMDA data over the last three years, we have serious concerns with the bank's service and extremely low market penetration to minority communities. We are concerned with the bank's failure to market to African-American communities, as well as Hispanic and Asian communities in their St. Louis market area. In the central Illinois market area, we are concerned with underperformance in serving African-American and Hispanic borrowers. Extremely low market penetration to African-American borrowers is a concern in the northern Illinois market area. We are also concerned with market penetration to African-Americans and Hispanics in Champaign County, Illinois, a growing market area for the bank. We urge the Federal Reserve to strongly consider these concerns in the bank's current CRA and fair lending examination. We ask the Federal Reserve to conduct a thorough fair lending investigation of the bank's marketing and outreach, as well as treatment of and lending to minority borrowers and communities throughout the bank's service areas.

Our coalition is working to increase availability of mainstream financial services in low-income communities, regardless of race, and in minority communities, regardless of income. We call on Midland States Bank to improve their service to low-income borrowers and communities and to minority borrowers and communities. We ask Midland States Bank to develop strategies and commitments that will provide increased services, products, and investments to underserved communities.

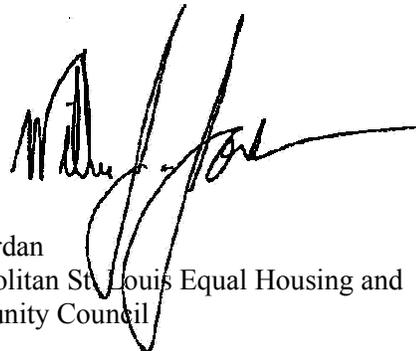
Based on our analysis, we have concerns that the bank is not adequately meeting the needs of low-income borrowers and communities, as well as communities of color as required by the CRA and fair lending laws. We are concerned with the bank's performance in lending to low-income borrowers and communities in the St. Louis market, as well as across the bank's market areas in Illinois. We have serious fair lending concerns with the bank's market penetration to minority communities in the St. Louis market and other markets in Illinois. We urge the Federal Reserve to seriously consider these concerns in the bank's current CRA and fair lending examination.

Thank you for your consideration.

Sincerely,



Jackie Hutchinson
Consumers Council of Missouri



Will Jordan
Metropolitan St. Louis Equal Housing and
Opportunity Council

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Lynn Oldham
Missourians Organizing for Reform and
Empowerment



Dr. Rance Thomas
North County Churches Uniting for Racial
Harmony and Justice



Adolphus Pruitt
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