

St. Louis Equal Housing and Community Reinvestment Alliance

c/o EHOc, 1027 South Vandeventer Ave., 6th Floor, St. Louis, MO 63110 * ehocmt@birch.net

MISSION

*The St. Louis
Equal Housing
and Community
Reinvestment
Alliance works
to promote
investment in
low-income
and minority
communities*

September 28, 2009

Kristina Stierholz
Assistant Vice President for Consumer Affairs
Community Affairs Officer
Federal Reserve Bank of St. Louis
PO Box 442
St. Louis, MO 63166

MEMBER ORGANIZATIONS

ACORN St. Louis
stlouis.acorn.org

Adequate
Housing for
Missourians

Citizens Coalition
to Fight Eminent
Domain Abuse

Justine Petersen
justinepetersen.org

Metro St. Louis
Coalition for
Inclusion &
Equity

Metropolitan St.
Louis Equal
Housing
Opportunity
Council
ehocstl.org

Wellston
Community
Support
Association

Dear Kristina Stierholz:

The St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) is a newly formed coalition that is working to increase investment in minority and low-income communities by ensuring that banks are meeting their obligations under the Community Reinvestment Act and fair lending laws, and by ensuring that entitlement jurisdictions are working to affirmatively further fair housing. This letter serves as our public comment on Midwest BankCentre, which is scheduled for its CRA performance evaluation in November 2009. We have serious concerns about Midwest BankCentre's compliance with the CRA and fair lending laws which we would like to share with you to assist in the performance evaluation process.

1. Midwest BankCentre does not provide equal access to services for African American communities

None of Midwest BankCentre's full service branch locations is situated in an area that has a significant African American population. Midwest BankCentre's Clayton branch is located in a census tract in which only 1.5 % of the population lives in African American households (note that because this census tract also includes the St. Louis County Jail, the population living in households was used rather than the overall population). Other branches are located in Census tracts that are 1.7% African American, 1% African American and below 1% African American.

Midwest BankCentre also services retirees at Garden Villas Retirement Centers. These locations have limited hours, no ATMs, and only accept deposits. The locations are not open to the general public and are not advertised generally. These four retirement centers are located in north St. Louis county, west St. Louis county, south St. Louis county and Chesterfield. The only service that is located in an area that has any sizable African American population is the service located at Garden Villas North. This census tract has an African American population of 32.05%. However, it appears that only 4 African Americans reside in this community there according to the Census 2000 as compared to 167 whites.

2. Midwest BankCentre excludes areas of high minority concentration in its assessment area

Midwest BankCentre is being examined as a Large Bank. Under Reg BB, as amended in 1997, a large bank's assessment area must generally consist of one or more metropolitan areas or contiguous political subdivisions, §228.41(b), unless that area would be extremely large, of unusual configuration, or divided by significant geographic barriers, §228.41(d). Reg BB further provides that, if a large bank's assessment area does not include entire political jurisdictions, its assessment area may not reflect illegal discrimination. §228.41(e).

Midwest BankCentre's assessment area did not include the entire St. Louis MSA. In fact, it includes only partial political subdivisions—part of St. Charles County, part of St. Louis County, part of St. Louis City and part of Jefferson County. In the case of St. Louis City, the northern parts of the city which are almost entirely African American are left out. Even though many parts of St. Louis County do include majority minority census tracts in the assessment area, the only part left out is majority minority. However, there is not a single bank branch or service located in St. Louis City. The only service offered in North St. Louis County is a partial service branch located in a predominately white retirement community that only accepts deposits and is not open to the general public.

3. Midwest BankCentre has not originated a single mortgage loan to an African American borrower in 4 years

Since 2003, Midwest BankCentre has not originated a single mortgage loan to an African American borrower. There appears to be a dramatic change in the bank's practices between 2003 and 2004. In 2003 and 2002, the bank originated almost any loan for which there was an application. Although there were only a comparatively few number of applications for mortgages from African Americans, Asians, American Indians or Hispanics during those 2 years, there were loans issued to all of these groups in these 2 years. There were few if any denials or withdrawals of applications from these borrowers. These practices changed dramatically in the period 2004 – 2007.

In 2007, Midwest BankCentre received ten applications for mortgage loans from African Americans. Of the ten, six were denied, and four were withdrawn. The bank received two mortgage loan applications from Asians, one which was denied and one which was originated. One Hispanic borrower applied for a mortgage loan and was denied. The bank received 186 applications from white borrowers and originated 97 of these applications, approved another five applications which were not originated and denied thirty-five applications. Forty-nine applications were withdrawn.

Similarly, Midwest BankCentre did not invest in minority areas. In 2007, Midwest BankCentre originated only three loans to homeowners in minority areas. One was for \$34,000 for a home purchase conventional and one refinance for \$189,000 in a majority minority census tract and one home improvement loan for \$45,000. All of these were invested in neighborhoods that were between 50 – 79% minority. The bank issued more credit to investors: one loan for \$360,000 (50-79% minority area) and one for \$2,244,000 for multifamily housing (80-100% minority census tract). It issued one loan for \$189,000 for a nonoccupant conventional loan for 1- 5 family home in a majority minority census tract (50-79%).

In 2006, three African Americans applied for home mortgages; one was denied, one withdrawn and the third closed for incompleteness. No Asians applied. Three Hispanics applied, and all were originated. There were applications from 170 white borrowers; 104 were originated, 5 more approved, 35 denied and 15 withdrew their application. One file was closed for incompleteness.

In 2005 Midwest BankCenter didn't receive a single application from a black or Hispanic borrower in 2005. It received one application from an Asian borrower which was rejected (\$198,000). In 2004 Midwest Bankcentre originated one loan for an Asian borrower for \$91,000 and only received one application for a refinance from a Black borrower for \$83,000 which was denied.

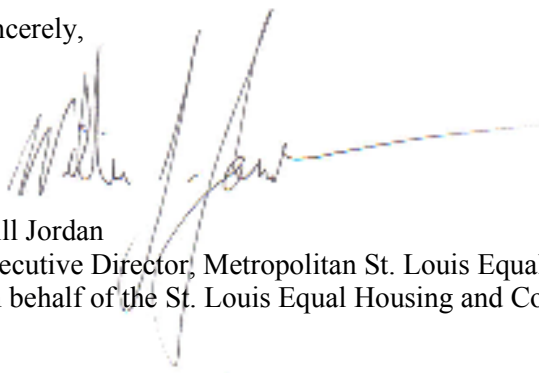
4. Midwest BankCentre appears to treat borrowers differently by race

The Metropolitan St. Louis Equal Housing Opportunity Council (EHOC) conducted a "test" of Midwest BankCentre's lending practices. In the test, inquiries were made by testers about mortgage loan products. Testers used racially identifiable names and addresses and identified properties they were interested in purchasing, which were located in areas that were heavily populated by persons of their race. The white-identified tester was slightly less qualified, yet she received one customer service contact and 6 personally generated contacts from a senior mortgage loan officer. The loan officer offered her detailed information including interest rates and PITI breakdown, a preapproval form, and advice about getting an FHA versus a conventional mortgage. The black-identified tester received one customer service contact and no contact from the mortgage division. More detailed information on the test can be provided to the regulators upon request.

We understand that in its most recent performance evaluation, Midwest BankCentre received a Satisfactory Rating. We believe that this rating is inflated. Based on the fair lending concerns raised above, the Bank deserves a lower rating, and its fair lending compliance should be seriously scrutinized. We are attaching additional information to this letter.

Thank you for your attention to this issue. We are happy to meet with you and with representatives of the bank to discuss these concerns further.

Sincerely,

A handwritten signature in blue ink, appearing to read "Will Jordan", with a long horizontal flourish extending to the right.

Will Jordan
Executive Director, Metropolitan St. Louis Equal Housing Opportunity Council
On behalf of the St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA)

SLEHCRA Member Organizations:

ACORN St. Louis Office
Adequate Housing for Missourians
Citizens Coalition to Fight Eminent Domain Abuse
Justine Petersen
Metro St. Louis Coalition for Inclusion & Equity (M-SLICE)
Metropolitan St. Louis Equal Housing Opportunity Council (EHOC)
Wellston Community Support Association