

St. Louis Equal Housing and Community Reinvestment Alliance

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

Member Organizations

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
Citizens Coalition to Fight Eminent Domain Abuse
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
St. Louis Community Land Trust
Union Sarah Community Corporation

June 29, 2012

Glenda Wilson
Community Development Officer
Federal Reserve Bank of St. Louis
P.O. Box 442
St. Louis, MO 63166
Via email: Glenda.j.wilson@stls.frb.org

Re: Midwest BankCentre CRA performance evaluation

Dear Glenda Wilson:

The St. Louis Equal Housing and Community Reinvestment Alliance (SLEHCRA) would like to offer public comments regarding Midwest BankCentre, of Lemay, Missouri, pursuant to the Community Reinvestment Act (CRA) and the bank's performance evaluation scheduled during the 2nd quarter of 2012. SLEHCRA is a coalition working to increase investment in minority communities, without regard to income, and in low- and moderate-income communities, without regard to race, by ensuring that banks are meeting their obligations under the Community Reinvestment Act and fair lending laws.

SLEHCRA previously filed comments on Midwest BankCentre's CRA examination in 2009, which documented serious fair lending concerns with the bank's branch locations, assessment area designation, and lending to minority borrowers. Additionally, the Department of Justice opened an investigation of the bank's fair lending practices. The Federal Reserve issued a Needs to Improve rating on the bank's 2009 CRA evaluation. In June 2011, the Bank entered a Consent Order with the Department of Justice to conciliate the case. As part of that agreement, Midwest BankCentre committed to open a branch in a predominately African-American census tract, increase community outreach to predominately minority communities, target consumer education, and provide special financing to increase access to credit for predominately African-American communities.

We want to acknowledge the bank's significant efforts to increase lending and services in minority communities and in low- and moderate-income communities in recent years, both as a part of the Consent Order but also outside of the terms of required actions. Midwest BankCentre has implemented changes within the board of directors and executive leadership to better address these issues, hired additional executives and loan officers, created new products, and have been an active leader in the St. Louis Regional Unbanked Taskforce. We believe these changes reflect positive steps toward better service within all parts of our community.

We believe that Midwest BankCentre has greatly improved in their service to minority communities and low- and moderate-income communities. However, our review of publicly-available data on the bank's performance shows the need for continued improvement in regards to low levels of lending to minority borrowers and low levels of lending to low- and moderate-income borrowers.

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Page 2

We encourage Midwest BankCentre to continue increasing service to low- and moderate-income borrowers and communities. According to the Home Mortgage Disclosure Act (HMDA), Midwest BankCentre's lending to low- and moderate-income borrowers and communities is still below the aggregate lending levels and the demographics of the area. Since 2008, the Bank's volume of lending has increased dramatically, including the volume of loans originated to low- and moderate-income borrowers. We recognize this improvement over the last four years, and acknowledge the work the Bank has done to increase outreach and services. However, we believe the Bank can continue to improve their market share to low- and moderate-income borrowers and communities.

According to the Bank's 2010 HMDA data, the Bank originated 3.07 percent of loans to low-income borrowers and 6.47 percent to moderate-income borrowers. Comparatively, in 2010 the aggregate lending in the Bank's assessment area originated 7.58 percent of loans to low-income borrowers and 17.14 percent to moderate-income borrowers. The Bank's 2011 HMDA data shows a small increase in lending to low- and moderate-income borrowers, with 4.22 percent of mortgage loans originated to low-income borrowers and 7.38 percent originated to moderate-income borrowers. Comparative data on the 2011 aggregate lending is not yet available, but since the population in the Bank's assessment area is comprised of 18.2 percent of families considered low-income and 17.4 percent of families considered moderate-income, we believe Midwest BankCentre has room for improvement in lending to low- and moderate-income borrowers.

Additionally, the Bank's mortgage lending to low- and moderate-income communities has room for improvement. According to the 2010 HMDA data, only 3 loans representing 0.49 percent of all originations went to low-income census tracts and 13 loans representing 2.10 percent were originated to moderate-income census tracts. Considering the Bank's assessment area is comprised of 5.2 percent of low-income census tracts and 18.1 percent of moderate-income census tracts, we believe Midwest BankCentre can continue working to improve their market penetration to low- and moderate-income census tracts.

In addition, we urge Midwest BankCentre to improve lending to small business located in low- and moderate-income geographies. According to the CRA disclosure report, the Bank's small business lending to low- and moderate-income communities is below the comparable demographics. Since 2008, the Bank has greatly increased the reported small business loans. In 2010, the Bank reported 215 small business loans originated overall. Five loans were originated in low-income census tracts, representing 2.33 percent of lending, and 28 loans were originated to moderate-income census tracts, representing 13.02 percent of lending. In 2009, 59 small business loans were originated overall with 1 loan (1.69 percent) originated to a low-income census tract and 6 loans (10.17 percent) originated to moderate-income census tracts. In 2008, 91 loans were originated overall with 2 loans (2.20 percent) originated to low-income census tracts and 9 loans (9.89 percent) originated to moderate-income census tracts. Comparatively, in the Bank's assessment area 5.2 percent of business institutions are located in low-income census tracts and 17 percent of business institutions are located in moderate-income census tracts. Considering the Bank's consistently low level of lending to small businesses located in low- and moderate-income census tracts, we urge the Bank to increase outreach and market penetration to low- and moderate-income communities through small business lending and services.

We have been pleased to see notable improvements in Midwest BankCentre's service to minority borrowers and communities and would expect these improvements to continue with the opening of the Bank's new branch located in a predominately minority census tract in Pagedale. Based on HMDA data, the Bank's level of lending to minority borrowers has been improving. However, we urge the Bank to continue improving outreach to minority borrowers and communities as lending to African-American

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Page 3

borrowers is still below the aggregate lending and below the demographics of the area. We also have concerns with high disparities in denial rates between minority borrowers and white borrowers. We recognize and applaud the Bank's significant improvements regarding their services to minority borrowers and communities over the last two years, and we urge Midwest BankCentre to continue increasing strategies to better reach minority communities.

According to HMDA data, Midwest BankCentre's lending to minority borrowers has also been improving in recent years. SLEHCRA's public comment letter regarding Midwest BankCentre issued in September 2009 documents that the Bank did not report any mortgage loan originations in HMDA to African-American borrowers in the years 2003 to 2007. According to HMDA data for years 2008 and 2009, the Bank again did not report any loans originated to African-American borrowers. However, the Bank's HMDA data in 2010 and 2011 shows an increase in lending to minority borrowers. In 2010, Midwest BankCentre originated 5 mortgage loans to African-American borrowers, representing 0.81 percent of all loans. They received 15 loan applications, or 2 percent of all applications, from African-Americans. According to the Bank's HMDA in 2011, the Bank originated 27 mortgage loans to African-American borrowers, which represents 3.56 percent of all originations. They reported 57 mortgage loan applications from African-American borrowers, or 6.17 percent of all applications. This represents a significant improvement in reaching African-American borrowers and communities. Since 2008, applications from African-American borrowers have increased by 1040 percent, while total applications have increased by 460 percent. We are pleased by this noticeable improvement in the Bank's market penetration to African-American borrowers, and encourage the Bank to continue to improve and expand lending to borrowers and communities of color.

Considering the demographics of the Bank's assessment area and the comparable aggregate lending performance, the Bank has opportunities to continue increasing their market share to African-American and other minority borrowers and communities. In 2011, the Bank reported 3.56 percent of mortgage loans originated to African-American borrowers, 1.05 percent originated to Asian borrowers, and 0.66 percent originated to Hispanic borrowers. Comparatively, African-Americans represent 20.4 percent of households within the Bank's assessment area, Asian households represent 2.3 percent, and Hispanic households represent 1.8 percent, according to the 2010 Census. The aggregate lending for 2011 is not yet available, but the aggregate lending in the Bank's assessment area in 2010 originated 4.32 percent of loans to African-American borrowers, 2.61 percent to Asian borrowers, and 1.08 percent of loans to Hispanic borrowers. We urge Midwest BankCentre to continue improving their lending market penetration to African-American, Asian, and Hispanic communities.

Additionally, we have concerns with the high denial rate disparities between minority borrowers and white borrowers. In 2011, the denial rate for African-American borrowers was 36.84 percent, while the denial rate for white borrowers was only 7.35 percent. We are concerned that African-American borrowers were five times more likely to be denied for a loan than white borrowers. Similarly, Hispanic borrowers were also five times more likely to be denied a loan than white borrowers, with the denial rate for Hispanic borrowers at 37.50 percent. In 2010, the disparity in denial rates between African-American borrowers and white borrowers was higher, with African-Americans 6.8 times more likely to be denied than white borrowers. The denial rate in 2010 for African-American borrowers was 66.67 percent while the denial rate for white borrowers was 9.68 percent.

We recognize that HMDA data is limited in providing complete information regarding the reasons for denials. The public data does not include information on a borrower's credit score, debt-to-income, or other essential information used in making credit decisions. We recognize our analysis is limited without that information. However, we always become concerned when there are high disparities between

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Page 4

minority borrowers and white borrowers. We urge the Federal Reserve and Midwest BankCentre to look closely at the underwriting and review process for all borrowers, particularly any policies that may disproportionately affect minority borrowers in accessing credit.

Our comment letter in 2009 regarding Midwest BankCentre's service to minority communities expressed serious concerns that the bank's branch locations and designation of their assessment area excluded areas of predominately minority populations. We are pleased that Midwest BankCentre has since taken steps to address those concerns and provide better access to their banking services in predominately minority communities. The Bank revised their assessment area to include all areas of St. Louis County and St. Louis City, better reflecting complete coverage for all parts of the community and including the predominately minority areas. Additionally, the Bank is opening a full-service branch location in Pagedale. This branch will be located in a moderate-income census tract that has 83 percent African-American population. Midwest BankCentre has partnered with Beyond Housing, a community development organization, in the development surrounding the new branch location, including a grocery store and affordable senior housing. We have been encouraged by the Bank's actions in preparation for this new bank and support the Bank in ensuring success for this new branch location that provides better access to banking services in an area that was underserved.

Midwest BankCentre has shown significant improvements in the last two years in their level of service within the community targeted to underserved communities. According to information provided by the Bank, community development loans and investments have increased greatly since 2009. In 2009, the Bank reported 1 community development loan for \$1.9 million. In 2011, the Bank reported 13 loans for a total amount of \$22.6 million. A similar trend is evident in the Bank's records of community development donations and investments. In 2009, the Bank reported 19 total investments for \$248,240. In 2011, the Bank reported 43 investments for a total \$4.5 million. We applaud the Bank's commitment to increasing loans and investments that work to benefit low- and moderate-income families and communities.

In addition, the Bank's community development services have greatly expanded over the last three years. The Bank has hired new loan officers focused on community development, targeted marketing and outreach in new communities, and developed numerous new relationships with organizations serving minority communities and low- and moderate-income communities. We recognize the Bank's work in actively seeking out organizations to develop new partnerships that engage parts of the community previously underserved. According to information provided by the Bank, they are providing increase charitable donations to organizations and volunteering staff time. Many of these partnership organizations are serving predominately African-American communities that have been traditionally underserved by mainstream financial institutions. We are pleased by the Bank's efforts and encourage the Bank to continue this trend of increasing resources for community development through loans, investments, and services.

We also want to recognize the new products developed by Midwest Bank in response to the needs of the community. In the last three years, the Bank has created an Affordable Home Improvement Loan, a Credit Booster Loan, and a Confidence Checking Account that all are designed to increase access to mainstream financial services. These products are designed to assist individuals and families in accessing credit and building wealth to stabilize families and communities. It is our hope that these products will be able to reach a broad customer base and provide needed assistance for low and moderate-income families and those that are unbanked and underbanked.

Midwest BankCentre has made significant changes in response to their performance in meeting the needs of the community, particularly minority communities and low- and moderate-income communities. The

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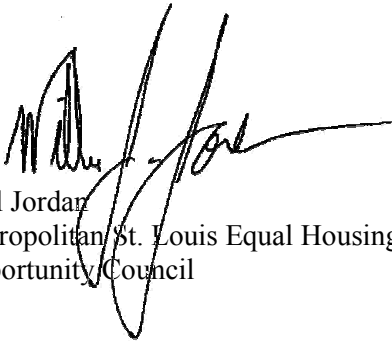
Page 5

changes implemented by the Bank are outwardly focused and engaged in all parts of the community they serve. It is our hope that Midwest BankCentre remains committed to this work and becomes a leader in addressing the needs of underserved communities. We encourage the Bank to continue developing new strategies for increasing services to our community. Based on our analysis of the Bank's performance, we believe that Midwest BankCentre can still improve their lending to low- and moderate-income borrowers and to minority borrowers that is better representative of the demographics of the community. We hope to continue working together to develop strong strategies that will increase lending and services to communities traditionally underserved by mainstream financial institutions.

We ask the Federal Reserve to consider these comments in the bank's current CRA performance evaluation and to encourage the bank to continue working towards their successful and proactive strategy of better reaching minority communities, regardless of income, and low- and moderate-income communities, regardless of race.

Thank you for your consideration.

Sincerely,



Will Jordan
Metropolitan St. Louis Equal Housing &
Opportunity Council



Lynn Oldham
Missourians Organizing for Reform and
Empowerment



Jackie Hutchinson
Consumers Council of Missouri



Rose Eichelberger
Ready! Aim! Advocate! Committee



Rance Thomas
North County Churches Uniting for Racial
Harmony and Justice



Merline Anderson
Community Action Agency of St. Louis County,
Inc.



Adolphus Pruitt
NAACP St. Louis