

St. Louis Equal Housing and Community Reinvestment Alliance

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

MISSION

SLEHCRA works to promote investment in low-income and minority communities.

July 15, 2010

MEMBER ORGANIZATIONS

Center for the Acceleration of African American Business

Community Action Agency of St. Louis County

Citizens Coalition to Fight Eminent Domain Abuse

Justine Petersen

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

Red Brick Community Land Trust

Union Sarah Community Corporation

Wellston Community Support Association

Lawrence R. Jackson
Deputy Regional Director
Federal Deposit Insurance Corporation
300 South Riverside Plaza
Chicago, IL 60606-3447

RE: Application Number 20101891

Dear Lawrence Jackson:

The St. Louis Equal Housing and Community Reinvestment Alliance (“SLEHCRA”) would like to offer public comment on the application by Carrollton Bank to open a new branch at 7911 Forsyth in Clayton, Missouri. SLEHCRA is a coalition working to increase investment in low-income and minority communities by ensuring that banks are meeting their obligations under the Community Reinvestment Act (“CRA”) and fair lending laws. We have serious concerns with Carrollton Bank’s performance within low-income and minority communities based on lending data, branch locations, and marketing materials, and we urge the FDIC to deny their application until and unless the bank develops a plan to meet the credit needs of low- and moderate- income and minority borrowers in its assessment area.

Carrollton Bank is not adequately meeting the needs of low- and moderate- income communities, as seen in their low levels of lending to borrowers and geographies and lack of branches in low- or moderate- income areas.

According to Home Mortgage Disclosure Act (“HMDA”) data from the years 2006 through 2008, only 5.73% of HMDA loans were originated to low-income borrowers and only 12.05% originated to moderate-income borrowers. Comparatively, the aggregate HMDA data for the St. Louis metropolitan area from 2006 to 2008 is nearly 10% and 22.3% to low and moderate- income borrowers, respectively. Similarly, less than 1% of HMDA loans were originated to a low-income census tract and only 12.83% were originated to moderate-income census tracts. The St. Louis aggregate originated 2.51% to low-income tracts and 16.09% to moderate-income tracts.

Lending to small businesses located in low- and moderate- income census tracts is also weak, according to CRA disclosures from 2006 through 2008. Only 1.48% of commercial loans were originated to a low-income census tract, and 23.54% to moderate-income census tracts.

Currently, all of the bank’s branches are located in middle- or upper-income census tracts, according to the FFIEC geographic designations. The proposed new branch in Clayton is also located in an upper-income census tract with a median family income that is 206.56% of the St. Louis MSA median family income.

We are concerned that the bank has consistently shown weak performance in lending to low- and moderate- income communities, yet has been receiving ‘Satisfactory’ ratings on recent CRA performance evaluations. The bank’s HMDA and small business lending percentages have been notably lower than aggregate lending data and

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demographic percentages in recent evaluations. The regulator excuses the poor performance with a number of explanations including the bank's exclusive business strategy "known as 'relationship banking,' [that] results in the bank attracting a high volume of credit applications from affluent individuals and/or business owners." This statement has been repeated in the last three CRA performance evaluations, in the years 2009, 2006, and 2004. We feel that there is no pass for consistently weak performance in providing services to low- and moderate- income communities as obligated by the CRA regulation. The proposed new branch in Clayton will only further exacerbate the bank's lack of services to low- and moderate- income communities, and we urge the FDIC to deny their application until they can show a clear and committed plan for meeting the needs of those communities.

Carrollton Bank is also not meeting the needs of minority borrowers and communities, and we have serious fair lending concerns with the bank's lending, marketing, and branch locations.

According to HMDA data from 2006 to 2009, the bank has extremely low market penetration in minority communities. Less than 1% (0.9%) of all loans were originated to African-American, Asian, and Hispanic borrowers *combined*. Out of 2361 HMDA loan originations for those four years, only seven were to African American borrowers, eleven were to Asian borrowers, and three to Hispanic borrowers (2217 went to white borrowers). From 2006 – 2008, only 3.30% of HMDA loans were originated to census tracts with 50% or higher minority populations. Comparatively, the aggregate HMDA data originated 12.59% of loans to minority borrowers and 10.69% of loans to census tracts with 50% or higher minority population. Considering the demographics of the St. Louis metropolitan area, which Carrollton Bank has designated as their Assessment Area, these low percentages are concerning.

We are also concerned with the bank's lack of minority representation in marketing and within the bank's staff. Their website features pictures and videos of bank employees and customers that are all white individuals. Out of 16 videos of discussions between bank staff and customers, none appear to be minorities. The website also features pictures of bank employees at each branch. Of 67 total pictures, all employees appear to be white, with only two appearing to be of Bosnian ethnicity.

Carrollton Bank's branch locations show a lack of services to African-American and minority populations. All eight of the bank's locations are in mostly white census tracts that have less than 12% minority populations. The O'Fallon/Belleville office is located in a census tract with nearly 20% minority population, but is currently only a loan production office and is not open for retail services. Additionally, the proposed Clayton branch is in a predominately white census tract, with only 1.54% of people living in households identified as African-American and only 8.05% identified as minority. (Please note that this is the same census tract in which the St. Louis County Jail is located so population in households was analyzed rather than total population).

Carrollton Bank is seeking to open a branch in a zip code that currently has 29 banking locations (and a non-institutionalized population of 12,885). This amounts to one bank for each 430 people. By contrast, six zip codes in the St. Louis MSA with populations over 10,000 have no banking locations at all (63104, 63107, 63113, 63120, 63134, 62204); all of these zip codes are majority African American.

Carrollton Bank prides itself on being a bank that retains employee shareholders for the long haul, and on being a bank that cares for its neighbors and community. With these values, Carrollton has been able to make responsible loans that borrowers can afford to repay. Many African American and low-income communities within the Bank's assessment area have been decimated by the foreclosure epidemic, because these communities did not have access to the types of banking products and responsible lending practices that banks like Carrollton provide. Thus, borrowers in these areas turned to subprime lenders that marketed heavily in their neighborhoods, and that, unfortunately, have stripped equity away from their communities.

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Illinois Attorney General Lisa Madigan has confirmed in her analysis of more than 83,000 subprime loans in Illinois that African American and Hispanic borrowers were more likely to receive subprime loans than similarly situated white borrowers, and were routinely charged higher rates and fees than similarly situated white borrowers. Madigan found that the racial disparities could not be explained by objective factors, such as credit scores or debt-to-income ratios. Madigan also examined the industry's aggressive marketing campaign to African American and Latino borrowers. (www.illinoisattorneygeneral.gov/pressroom/2010_06/20100629b.html)

The U.S. Department of Housing & Urban Development has emphasized the need for prime lenders to expand outreach to low-income and minority borrowers. In its 2002 study, "Unequal Burden: Income and Racial Disparities in Subprime Lending" (<http://archives.hud.gov/reports/subprime/subprime.cfm>), HUD makes the following conclusions: "First there has been monumental growth in subprime lending since 1993, suggesting that a significant number of Americans need greater access to the prime lending market. Second, based on the disproportionate percentage of subprime loans in low and very-low income neighborhoods, there are significant potential benefits to increasing access to prime lending for these communities and families. Third, based on the disproportionate percentage of subprime loans in African-American neighborhoods, there needs to be much greater attention focused on how to continue to increase access to prime lending markets for these communities and families. Fourth, based on the disproportionate percentage of subprime loans held by homeowners in high income black neighborhoods, these borrowers need greater access to the prime lending market."

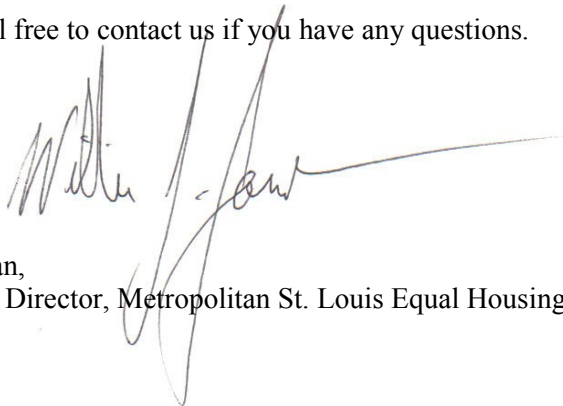
Of course, in the current economic climate, even subprime loans are not available in these communities. Without a concerted effort to expand credit to low-income and minority communities, these neighborhoods will continue to suffer the effects of redlining and reverse redlining, and of the usurious practices of unscrupulous and alternative lenders including payday lenders, title loan companies, rent-to-own, and refund anticipation lenders.

Our alliance attempted to meet with the bank prior to issuing this public comment. We contacted bank president Tom Hough on July 1 by phone and email, and followed up with a certified letter, requesting a meeting pursuant to this bank application. We expressed concerns about the bank's market penetration, outreach and location of services in low-income and minority communities, as well as the diversity of the bank's staff. We politely asked to hear about the bank's plans to meet the credit needs of their entire assessment area, particularly low- and moderate- income geographies and households and predominately African American communities and minority borrowers. We also requested additional information including the bank's 2009 HMDA LAR, public CRA file and community development loans. The bank sent us a package which contained most of the requested information. However, the president respectfully declined to meet with us at this time, and we received no specific reply about the concerns we expressed.

We strongly urge the FDIC to deny Carrollton Bank's application to open a new branch at 7911 Forsyth in Clayton, MO based on our concerns with the bank's CRA and fair lending performance. We believe the bank has a consistently poor record of providing services to low-income and minority communities, which will be further deepened by the proposed location in Clayton.

Please feel free to contact us if you have any questions.

Sincerely,



Will Jordan,
Executive Director, Metropolitan St. Louis Equal Housing Opportunity Council