I. EXECUTIVE SUMMARY

The most recent lending data for the St. Louis metropolitan area shows a constriction in access to mainstream credit for low-income and minority borrowers and communities. Overall lending has increased, but low-income and minority communities have experienced a substantial decrease in loan originations from 2007 to 2009. African-American borrowers and neighborhoods are still more likely to be denied a loan, and are still more likely to receive a high cost loan than white borrowers or communities.

The top ten mortgage lenders in the metropolitan area also are not contributing to the fair and equal access for low-income and minority borrowers, with low market penetration of these communities, disparities in denial rates, and high cost loan disparities. Many of the top lending institutions received federal bailouts and incentives for mortgage loan modifications following the financial crisis, yet their performance in providing access to credit and assisting struggling homeowners with loan modifications is not adequate. A detailed analysis of each lending institution shows widespread community reinvestment and fair lending concerns. Only a limited number of loan modifications have been made, foreclosures are on the rise, and many of the largest institutions are under federal investigations for their lending and foreclosure procedures.

Key Findings:

1. **Lack of Access for Minority Borrowers and Communities:** Market penetration to minority communities, especially among African-Americans, is very poor and has declined substantially over the last three years while lending to white borrowers and communities has increased.

    - Predominately minority neighborhoods have very low access to loans, and have experienced substantial decreases in loan originations since 2007. Lending to areas with over 80 percent minority population decreased by 68 percent since 2007, compared with lending to areas with less than 10 minority population, which increased by 24 percent.
    - Predominately African American neighborhoods are less likely to have banking services. There are seven zip codes in St. Louis City and St. Louis County without a full-service bank branch. All these are predominately African American, and have a total combined population of 103,219. By contrast, there are six zip codes that have a ratio of at least one bank for every 1500 persons. All of these zip codes have a predominately white population.
    - Since 2007, lending to African-Americans decreased by nearly 50 percent, while lending to white borrowers increased by 22 percent. In 2009, only 4.73 percent of loans originated to African-American borrowers, though 17 percent of households are African-American.
    - Lending to Hispanic borrowers, at 1.03 percent of loan originations in 2009, is slightly below the population demographics, but lending has decreased by 13 percent to Hispanic borrowers.

2. **Lack of Access for Low-Income Borrowers and Communities:** With already low levels of lending to low-income borrowers and communities, there has been a decline in lending over the last three years, while upper-income borrowers and communities have seen an increase in lending.

    - Lending to low-income neighborhoods decreased by over 60 percent since 2007, and lending to moderate-income neighborhoods decreased by 34 percent, while lending to upper-income neighborhoods increased by 46 percent. In 2009, less than one percent of loans were originated to low-income communities and 8.56 percent were originated to moderate-income communities, both percentages below the comparable demographics for owner occupied housing units within those geographies.

- In 2009, low-income borrowers received only 8.2 percent of loan originations, a market share below the 22.6 percent of low-income families within the St. Louis area. Since 2007, lending has decreased to low-income borrowers by 6 percent, while upper-income borrowers experienced an increase in originations by 17.27 percent.

- Banks are doing a poor job of providing credit to low- and moderate-income communities as required by their CRA obligations. USA Mortgage has the highest market share of loans to low-income borrowers and communities, an institution not regulated and not covered by the Community Reinvestment Act. Many of the large lenders, including Wells Fargo and JP Morgan Chase Bank, are not evaluated for their CRA performance in St. Louis because they do not have depository branches in the area. These institutions have some of the lowest market shares to low- and moderate- income communities.

3. **Denial Rate Disparities for Minority Borrowers and Communities:** Minority borrowers and neighborhoods are more likely to be denied loans than white borrowers and communities.

- African-Americans are 2.35 times more likely to be denied loans than white borrowers, a disparity that has increased since 2007.

- Of the top ten lenders, Regions Bank and USA Mortgage had the highest denial disparity rates, with African-Americans more than 4 times more likely to be denied than white borrowers.

- Hispanic borrowers are also 1.59 times more likely to be denied loans than white borrowers.

- Communities with over 80 percent minority populations are 3.17 times more likely to be denied loans than communities with less than 10 percent minority populations, a disparity that has also increased over the last three years.

4. **High Cost Loan Disparities for Minority Borrowers and Communities:** Minority borrowers, especially African-Americans, and minority communities are more likely to receive high cost loans than white borrowers and communities.

- In 2009, African-American borrowers were 2.16 times more likely to receive high cost loans than white borrowers. The prevalence of high cost loans among African Americans has decreased substantially since 2007, when 44.5 percent of African-American borrowers received a high cost loan.

- Borrowers in neighborhoods that were over 80 percent minority were 3.82 times more likely to receive a high cost loan than those in neighborhoods that was less than 10 percent minority. Though the prevalence of high cost loans within the last three years among predominately minority communities has decreased, the disparity has actually increased.

- Many of the largest lenders, including Wells Fargo, Bank of America, and JP Morgan Chase Bank, have high disparities with African-Americans more than three times more likely to receive high cost loans than white borrowers.